The Rise and Growth of Economic Nationalism in India

ECONOMIC POLICIES OF INDIAN NATIONAL LEADERSHIP, 1880—1905

By

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FOREWORD

The process of freedom from British rule in India began early in the last century. The movement passed through many vicissitudes and had many strands but its essential character was that of a peaceful revolution. When the first tide of resistance to the advance of alien domination had nearly exhausted itself and the opposition offered by the Indian States, the first victims of aggressive imperialism, had dissolved, the emerging educated urban middle class adopted the method of constitutional agitation for seeking a voice in the administration of the country. Their main instrument of action was the public press and the political or social associations whose forum was utilised for pressing the needs of the people and removing their grievances. This early expression of public opinion, confined largely to the Presidency towns, had only one object, that of submitting representations to the authorities. It was pre-eminently an appeal to the conscience of England, to the sense of justice and spirit of liberalism which then prevailed in that country. Many Indian administrators were inspired by utilitarian ideas and had firm faith in paternalism as the only principle of state action in India. Yet their policies were fashioned not by considerations of the welfare of the Indian people but by the motives of profit of the East India Company and development of industry and progress and prosperity of the British people. This had its inevitable repercussion on the economic condition of the mass of population of India. An immense change was rapidly taking place in Indian economy. It was fast losing its self-sufficiency and that healthy balance, the co-ordination between agriculture and industry, which had made India the sink of the bullion of the West. Indian economy became subordinate to

the British economy and the main purpose of its agriculture was to furnish raw materials to feed the growing industries of England. Indian exports had shifted in emphasis from industrial products to cotton and foodgrains. The imports no longer consisted of gold and silver and a few luxury goods but consisted of textiles and other manufactured articles of daily use. This alteration in the nature of foreign trade reflected the decline in Indian industries and increasing dependence on agriculture and consequently rapid march towards poverty. The consciousness of this phenomenon led to a violent drift in the expression of public opinion which steadily forsook the aspect of meek and mild requests for minor administrative reforms and grew defiantly critical of the measures and policies of the rulers.

The Revolt of 1857 and its inhuman suppression by the military might and bureaucratic repression deflected the course of political expression for some time, but the fire of revolt continued to smoulder beneath the surface and the temper of the people found vent in the growth of political associations and the spurt of journalistic enterprise. Its volume continued to grow and bureaucratic frown or measures of repression like the Vernacular Press Act failed to hinder its progress. There was an unprecedented rise in the number of journals and newspapers most of which had opened their columns for ventilating the feelings of the people, particularly of the urban middle class. A number of political associations also were established at the various provincial centres and many among these had extended their vision to comprehend the problems of India as a whole. The endeavours of the seventies in this direction culminated in the establishment of the Indian National Congress in mid-eighties of the last century, and this institution provided a steadily strengthening forum for ventilating the grievances of the Indian people and putting forth demands of a political and economic nature for radically altering the character of the government. One main purpose of these associations was to press for constitutional development leading to the increasing participation of Indians in framing

state policies and implementing them. In the nature of things then it was difficult for the common people, the mass of the population, to be identified with such organisations of public will. But without the wider participation of these elements, enough pressure failed to be generated and the government remained relatively unaffected by the rhetoric of the upper class politicians. The masses were also not intimately touched by a mere programme of constitutional advance, which had no meaning for them in terms of representative institutions and Indianisation of services. The people were groaning under the weight of heavy taxation and suffered from unemployment and scarcity which were recurrent features of Indian economy at the time. Economic appeal was the only appeal which could stir them from their stupor. And without their active and visible support the Indian political movement would remain a feeble stream. Hence to rouse them from inertia and to beat the government with a heavy club, it became essential for the political leadership to direct its gaze on the plight of the people, diagnose the malady and analyse the factors which were responsible for their economic sufferings. It was in this context that economic ideas of Indian leadership had their origin.

Dadabhai Naoroji gave the lead in this direction and he was soon followed by a galaxy of brilliant exponents of economic ideas in the last few decades of the nineteenth century. Ranade, Joshi, Gokhale, G. S. Iyer, Wacha and Dutt are some of the prominent names whose contribution in this field was enormous and who moulded the trend of economic thinking at the time. The theme was taken up with alacrity by the Indian journals and repeated from various platforms all over the country. The resolutions of the Indian National Congress and the speeches on them embodied their ideas. Thus the economic ideas of these leaders nourished the nascent national movement and provided it with a new base and made it strong. The fundamental question at the moment was that of the impact of British rule on India and the results which it had brought about. In the latter half of the nineteenth century, the British statesmen and the bureaucracy in India did not tire of stress-

ing the White Man's Burden and proclaiming that under the British sway India had made all round progress, thereby justifying imperial domination. All European imperialist powers were gloating over the civilising mission which they emphasised was the main object of territorial grab and world expansion. Colonialism was assuming a new shape and being presented in a new garb, without the least alteration in its real nature, that of economic exploitation. In India also, the apologists of British rule harped on the values of peace, new education and above all the growing prosperity of the country, represented by the extension of railways, roads and other public works. Many of them contrasted the economic conditions of the nineteenth century with those under the Mughal rule and, misrepresenting the facts, depicted the existing position in golden hues. Moderate leadership was impressed by the cultural contacts and had developed a sense of adoration for parliamentary institutions of the British, and there were many in the country who had been influenced by the new preaching that affluence had resulted from British rule. This theory had to be exploded if the national movement for freedom from foreign rule was to make any headway. The principal contribution of Dadabhai Naoroji and others was to prick the bubble and expose the reality of British rule. By doing this they gave a new and solid plank for the national movement to stand on and helped the growth of extremism which ultimately paved the way for Swaraj.

The main point of their economic ideas was the theory of the drain, which in simple words implied the constant flow of wealth from India to Great Britain in the form of excess of exports over imports, the balance being the tribute India had to pay to maintain the most expensive machinery, civil and military, of foreign rule. They revealed that Indian taxpayer had paid richly for his own servitude in so far as all the wars of territorial expansion were financed out of the Indian revenues. The growing public debt was a heavy burden. So also the railway expansion and the costly public works were imposing an increasing burden on the revenues of India in

the form of interest payments. The railways were also instruments of imperialism for its own security. While Indian agriculturist demanded irrigation to feed the people, the British financier and steel industry multiplied railway mileage to relieve famines. But the most important sources of the drain, according to their thinking, were the Home Charges, the savings of British officers and British merchants remitted to England and the army charges. This point was ably stressed by Gokhale before the Royal Commission on Indian Expenditure, when he pointed out that Indian army was used mainly for imperial purposes, both on the borders of India and elsewhere. This drain was causing poverty, lack of capital growth and the crippling of industry. Another target of attack by Indian leadership was the tariff policy of the British government, which was not only inequitable but positively directed at the suppression of the infant industry of India and the killing of the old cottage industry. The unjust imposition of the countervailing cotton excise duties and the removal of the cotton import duties were glaring examples of the unjust treatment meted out to India in the interest of British textile industry. R. C. Dutt took up the challenge to expose the tyrannous revenue policy of the government which had bled the agriculturist and caused extreme penury leading to recurrent famines. Curzon's government was hard put to combat his arguments, which had an uncommon appeal to the Indian public.

Thus these early Indian economists laid bare the colonial character of British rule and demolished the facade of a welfare state which British statesmen and economists had laboured hard to put up to hide the reality of the situation. This resulted in a flood of anti-British writings charging the government of callous neglect of the interests of the people. The subsequent stages of political movement derived their sustenance considerably from this source, and the stream of opposition to foreign rule gathered volume.

Dr Bipan Chandra has utilised contemporary writings and made profuse use of the newspapers to analyse the economic

ideas of these early leaders of Indian national movement and thereby made a valuable contribution to the understanding of the basis of national movement and its development in the formative stage. I have great pleasure in introducing it to the wider public and have full confidence that this study will encourage others to analyse the economic, political or social ideas which conditioned the emergence of Indian people from colonial subjection to freedom.

BISHESHWAR PRASAD

PREFACE

This book is a revised version of the thesis titled 'Economic Policies of Indian National Leadership, 1880 to 1905' accepted by the University of Delhi for the award of the Ph.D. degree in 1963. It seeks to examine the economic policies of the Indian national movement before the swadeshi agitation carried it forward to a higher and different plane.

I have taken as leaders all those persons who exercised the function of forming and guiding the growing nationalist public opinion on economic questions. As such I have relied in this study not only on the proceedings of the Indian National Congress, the provincial conferences, other public associations, the legislative councils, the speeches and writings of the prominent nationalist public men, but also on the nationalist newspapers and journals, which were, during these years, a major forum of nationalist agitation and very influential creators of public opinion. In fact, in the absence of a recognised nationalist political party with a well-knit organisation and functioning all the year round—and the Indian National Congress did not yet amount to such an organisation—and the tradition of the huge public, *maidan* meetings not having been yet born, the nationalist press played the role of the opposition in matters of day-to-day administration. Even the resolutions and proceedings of the Indian National Congress and other nationalist associations were in a way effective in moulding public opinion only to the extent to which they filtered down to the people through the columns of the nationalist press. It may also be pointed out that many of the newspapers and journals of the time were run by their proprietors and editors as nationalist organs at some cost to themselves rather than as business propositions. Moreover,

many of these editors had intimate connection with the life of the urban lower-middle classes.

I have studied in original several of the leading English language or Anglo-Vernacular nationalist newspapers and magazines of the period, including the *Mahratta*, the *Hindu*, the *Amrita Bazar Patrika*, and the *Bengalee*. Moreover, I have utilised for a study of the Indian-language newspapers the unpublished *Reports on the Native Press* for different provinces. The *Reports on the Native Press* were a weekly official summary or reproduction of the editorial comments and articles to appear in Indian-owned newspapers and magazines. The Bombay Report included in its coverage both the English and Indian-language newspapers while the Reports of other provinces covered only Indian-language press till the end of the 19th century when they started covering all Indian-owned newspapers. These Reports were strictly confidential and were made available only to officials of the rank of Divisional Commissioner or above. They met a high standard of fair and accurate reproduction, even though some of them—particularly that of Madras—were rather inadequate in their coverage.

As national have been taken all those persons, associations, newspapers, and journals who looked upon India as a growing nation whose people had common interests and destiny in the broadest sense of the term, who visualised the ultimate aim of self-government for its people, and who tried to look at public questions from the point of view of the whole people of the country, or at least of the masses of the people, rather than that of a smaller, narrower body within it. The criterion in this respect has been what they professed and not what they wanted in practice. The latter aspect has been examined at length in the main body of the thesis. In other words, I have excluded from consideration as national leaders only those who either explicitly denied the nationhood of India or the common political destiny of its people or openly came out as the representatives of a small segment of the population only. Thus I have excluded the Hindu, Muslim and Parsi communalists, and several newspapers, including the *Rast Goftar*

after 1888 and the *Hindustan* after 1901. The British India Association and the *Hindu Patriot*, which had lost their original national character by 1881 and openly become the champions of the Zamindars' interest alone, have also been excluded.

In this work I have been interested not so much in the question as to who were the originators of an economic idea or policy as in its propagators and the extent of its propagation and the amount and type of political campaigning behind it. The large number of public men and newspapers cited in the footnotes is explained by this effort to bring out the wide prevalence of certain policies. Similarly, I have been concerned not with the correctness or otherwise of the nationalist attitudes and policies as judged according to the canons of the science of economics, but with what the Indian leaders said and their manner of saying it and what can be learnt therefrom about their basic economic and political understanding and approach. To attempt the former task would involve nothing less than the writing of an exhaustive economic history of India of the period and perhaps much more than that. I have mostly used secondary sources for tracing contemporary economic developments.

This is of course a study not of the institutional basis of Indian nationalism—that is of the class and other human relations which lay at its base—but of its ideological-programmatic aspects. There can be no full understanding of Indian national movement without the former. Yet, I hope that this study of the reflection of the economic reality in the minds of the early national leaders would be found useful, for though social relations exist independently of the ideas men form of them, men's understanding of these relations is crucial to their social and political action. Thus the study of the political and intellectual tools that a movement uses to grasp the reality, to formulate its aims, and to induce changes in the desired direction are as important as the study of the social and economic forces which give birth to the movement. This study does not, therefore, trace the growth of colonial econo-

mic relations or the rise of modern economic forces and classes in India. Our problem has been to study the gradual development during the years 1880 to 1905 of the nationalist understanding of the economic basis and policies of British imperialism in India and the evolution of an alternative nationalist programme for the development of an independent national economy. I also hope that I have been able to bring out, as a by-product, the quality of intellect and of political and intellectual integrity and courage of the pioneers of Indian national movement. The desire to bring out accurately the type and quality of nationalist economic agitation is responsible for the large number of quotations in this study. Often, the manner in which the national leaders put forward a point of view is as important as the point of view itself. Moreover, the quality of their economic understanding is brought out better when given in the original. In any case, as Winston Churchill has put it, 'a phrase struck out at the time is worth many coined afterwards'.

I am most grateful to the large number of friends who have helped me in my work. My indebtedness to Dr. Bisheshwar Prasad, Professor and Head of the Department of History, University of Delhi, cannot be fully expressed in words. It was entirely due to his encouragement that I undertook this study. He has guided me with patience and kindness, giving me freedom to pursue my own ideas. He has been kind enough to write a generous foreword to this study. That in spite of his constant and valuable criticism and suggestions many errors may still have crept in is entirely due to my own imperfections. My friends Mohit Sen, B. M. Bhatia, Sulekh Gupta, O. P. Kaushik, and Sabhyasachi Bhattacharya have gone through parts of the manuscript and made valuable suggestions. I am indebted to my M.A. class of 1961-63 and Shri Ajit Kumar Sud for having performed innumerable chores that go with the final typing of a thesis and for having acted as a wonderful sounding board for my ideas.

My thanks are also due to the authorities of my college, the Hindu College, for granting me two years' study leave and

to the authorities of the Delhi University for awarding me a fellowship out of the Rockefeller Foundation grant to the Department of History of the University.

I take this opportunity of expressing my gratitude to the librarians and staff of the Hindu College Library (Delhi), Delhi University Library (Delhi), Delhi School of Economics Library (Delhi), Central Secretariat Library (New Delhi), Parliament Library (New Delhi), Indian Council of World Affairs Library (New Delhi), Asiatic Society Library (Bombay), Bombay Government Record Office (Bombay), Gokhale Institute of Economics and Politics (Poona), Fergusson College Library (Poona), Sachchidanand Sinha Library (Patna), Indian Association Library (Calcutta), and Sadharana Brahmo Samaj Library (Calcutta). In particular I would like to express my indebtedness to the late Shri Hemanda Prosad Ghose for giving me permission to use his personal collection of books, pamphlets and newspaper clippings, Shri H. C. Mitra for allowing me to read at his house the *Dawn* magazine, the managers of the *Amrita Bazar Patrika*, the *Hindu*, and the *Kesari-Mahratta* trust for letting me use the old files of these newspapers, and the authorities of the Kayastha Sabha, Allahabad, for permitting the use of the old files of the *Hindustan Review and Kayastha Samachar*. I also thank the staff of the National Archives of India, New Delhi, and the National Library, Calcutta, whose constant cooperation was ungrudgingly given.

In the end I must thank Usha Chandra, my wife, for having given me invaluable help at every stage of this book's preparation. She went through each page of the draft, made valuable suggestions, gave me encouragement when I needed it, and helped me check the type-script and page-proofs. In fact, if any errors of language or printing remain in this book, she shares the responsibility with me.

20 March 1966 B. C.

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To

my mother

and father

CHAPTER I

The Poverty of India

I admit at once that if it could be shown that India has retrograded in material prosperity under our rule we stand self-condemned, and we ought no longer to be trusted with the control of the country.
—GEORGE HAMILTON, *Secretary of State for India*

The indication of extreme poverty is so appalling that in any other country the Government would have been forced to take up this question into its serious consideration under penalty of a revolution.
—*Journal of the Poona Sarvajanik Sabha*

During the decades immediately following the Revolt of 1857, there was general belief among the educated Indians — the rising leaders of the growing Indian nationalism — that British rule in India was productive of considerable benefits to its people. But with lapse of time and as a result of increasing political activity and consciousness[1] doubts began to arise about the value and material content of such benefits, though the positive aspects of the legal, constitutional, and other non-material consequences of British impact were recognised and acknowledged by a section of the Indian national leadership almost to the end of the period under study.[2] The general

1. Dadabhai Naoroji, *Speeches and Writings* (Madras, undated) (hereafter referred to as *Speeches*), pp. 669-70.

2. The benefits acclaimed most often were peace, law and order, western education, centralised administration, political unification of the country and the consequent growth of a feeling of nationality, railways, telegraphs, hospitals, etc. See Naoroji, *Essays, Speeches and Writings*, edited by C. L. Parekh (Bombay, 1887) (hereafter referred to as *Essays*), pp. 26-7, 37, 131-2, *Speeches*, pp. 235-6, in *The Indian National Congress, Part I, Congress Presidential Addresses* (Madras, undated) (hereafter referred to as CPA), pp. 6-10. For other appreciations of the benefits of British rule, see, for example, various Congress Presidents in CPA, pp. 4, 81, 115, 307-11, 346, 375-6, 738; G. V. Joshi, *Writings and Speeches* (Poona, 1912), p. 616; R. N.

feeling grew that economically the results of British rule had been disappointing and perhaps even injurious. Already in 1867, Dadabhai Naoroji wrote that 'the mass of the people, even up to the present time, understand but little of the benefits' of British rule;[3] and by 1871 he was referring to the 'continuous impoverishment and exhaustion of the country.'[4] The series of famines, beginning with that of Orissa in 1865-6, which held India in their grip during the second half of the 19th century,[5] and their appalling extent, gave jolt after jolt

Mudholkar, 'The Economic Condition of the People of India', in *Indian Politics* (Madras, 1898), p. 34; Alfred Nundy, 'The Poverty of India', in *ibid.*, p. 106; C. Y. Chintamani, 'India and Lord Curzon', *Hindustan Review and Kayastha Samachar* (hereafter referred to as HR), June 1901, p. 451; R. C. Dutt, *Economic History of India—Early British Rule* (London, 1956 impression of the edition first published in 1901) (hereafter referred to as EHI), p. v; S. N. Banerjea, *Speeches and Writings* (Madras, undated) (hereafter referred to as S and W), pp. 219-20, 258-9, 303-5, 331. Also see, the *Amrita Bazar Patrika* (hereafter referred to as ABP), 3 December 1874, 24 November 1897.

3. Naoroji, *Essays*, p. 28.

4. *Ibid.*, pp. 134-5. Bholonath Chandra in a relatively unknown but brilliantly written article, 'A Voice for the Commerce and Manufactures of India', which appeared anonymously in 1873-6 in the *Mukerjee's Magazine* (Calcutta) (hereafter referred to as MM) wrote: 'Dazzled by the superficial lustre around them, and incompetent to suggest the true economic policy for India, the natives hitherto accepted the views of their superiors upon trust, without any exercise of criticism or judgment. They blindly rested their belief in them as it were in a commercial veda. But day by day the light of intelligence is clearing up the fog in their minds.... The more they are being furnished in the upper storey, the more the truth of the fact of "a steady narrowing progress to pauperization" is being felt home by them.' Volume II, 1873, pp. 83-4. B. G. Tilak illustrated this shift in the nationalist approach in a very graphic manner when he wrote in 1893 of 'how the people were dazzled at first by the discipline of the British. Railways, Telegraph, Roads, Bridges and Schools bewildered the people. Riots ceased and people could enjoy peace and quiet.... People began to say that even a blind person can safely travel from Benares to Rameshwar with gold tied to a stick. But as the influence of the wine does not last long this illusion arising out of the revolution did not last long. The blind man may travel with gold tied to his stick but day by day people realised that gold was getting scarce.' Quoted in G. P. Pradhan and A. K. Bhagwat, *Lokamanya Tilak* (Bombay, 1958), p. 72. Also see *Bengalee*, 10 May 1884; *Indian Spectator*, 18 May 1884; *Mahratta*, 21 December 1884; A. L. Roy's article in *Mahratta*, 6 June 1886; G. Subramanya Iyer, *Some Economic Aspects of British Rule in India* (Madras, 1903) (hereafter referred to as EA), p. 330; L. M. Ghose in CPA, p. 762.

5. William Digby in his *'Prosperous' British India*, which was to become

to the complacent picture of a peaceful India progressing in an orderly fashion under the benign foreign rule and directed attention to the important subject of the condition of the people.[6]

Many of the Indian national leaders initially believed that their rulers and the British public were unaware of the real condition of India.[7] Hence, they desired a thorough investigation of the true state of affairs with a view to enlighten the British public, parliament, and administrators and to force the gravity of the problem on their attention.[8] Moreover, they believed that the existing economic condition of the people must be perceived and assessed correctly and 'the real exigencies of the economic position should come to be frankly recognised'[9] so that the rulers might effectively grapple with it and discover the best means of improving it.[10] Further, the Indians, growing conscious of their sense of unity and nationhood, wanted to define their attitude towards the contemporary British economic policies in India. Their approach towards these policies and their own course of action in the field of economic activity as well as in the political field were to be influenced by their evaluation of British policies and their economic results.[11]

In the 1870's, the Indian leaders began an intensive investi-

immediately after its publication in 1901 (London) a virtual text-book of the Indian nationalists, enumerated 18 famines, 'including the FOUR most terrible famines ever known in India', from 1876 to 1900. Pp. 127-8, 131.

6. '... but the deeper question arose, why should there be so many famines in India, why such a terrible death-rate from starvation? They never heard of such famines in any other civilised country of the world.' R. C. Dutt, *Speeches and Papers on Indian Questions*, 1897-1900 (Calcutta, 1904) (hereafter referred to as *Speeches I*), p. 36. Also see Resolution II of the Indian National Congress (hereafter referred to as INC) for 1900.

7. See, for example, Naoroji, *Essays*, p. 135. Also, 'when you will know our real wishes I have not the least doubt that you would do justice.' *Ibid.* May also see CPA, pp. 13, 22-3, 91-2, 129, 149, 188, 324, 380, 397, 405, 475, 499, 532.

8. See, for example, Naoroji, *Essays*, p. 128.

9. G. K. Gokhale, *Speeches* (Madras, 1916), p. 52.

10. See, for example, Naoroji, *Poverty and Un-British Rule in India* (London, 1901) (hereafter referred to as *Poverty*), p. 147; and Resol. II of the INC for 1900.

11. See, for example, Ranade, *Essays on Indian Economics* (Bombay, 1898) (hereafter referred to as *Essays*), pp. 191-2; and G. V. Joshi, *op. cit.*, p. 754.

gation into the economic ills of their country. On 27 July 1870, Dadabhai Naoroji read his famous paper on 'The Wants and Means of India'[12] at a meeting of the Society of Arts, London, in which he posed the bold question: 'Is India at present in a condition to produce enough to supply all its wants?' and then answered it in the negative.[13] In 1873 appeared a scathing attack from the pen of Bholonath Chandra on the British economic policy in India in the pages of the short-lived Bengali quarterly, the *Mookerjee's Magazine*.[14] In 1876, Dadabhai Naoroji published his *magnum opus, The Poverty of India*.[15] Mahadev Govind Ranade started the *Quarterly Journal of the Poona Sarvajanik Sabha* in the late 1870's and, along with G. V. Joshi,[16] dissected, for nearly two decades, practically every aspect of Indian economy. As a matter of fact, almost every Indian publicist of the day wrote articles or books on the economic situation in India or declaimed on the subject from the public platform or in the Council Chambers; and, practically

12. Naoroji, *Essays*, pp. 97-111.

13. *Ibid.*, p. 97.

14. Vols. II-V, 1873-6.

15. Naoroji, *Poverty*, pp. 1-142. It consisted of the papers read before the Bombay Branch of the East India Association of London in 1876 and was accompanied by the following note by the author: 'These notes in their original draft were placed before the Select Committee on Indian Finance in 1873. They were taken, but not published with the Report, as they did not suit the views of the Chairman (Mr. Ayrton), and I was led to suppose, also of Sir Grant-Duff, who was then the Under-Secretary of State for India.'

16. G. V. Joshi was one of the most important of the Indian economists of the 19th century. Unfortunately, his being a government servant—he was a school teacher and later a headmaster in a government school—kept him away from the limelight and he is not as well known as many of his other, lesser contemporaries. V. G. Kale, the doyen of professional Indian economists in the first quarter of the 20th century, has pointed out in his *Gokhale and Economic Reforms* that Joshi's 'knowledge of administrative and economic problems was almost unsurpassed by any Indian' (p. 54). G. K. Gokhale, who recognised Joshi as one of his two mentors, the other being Justice Ranade, often and very handsomely acknowledged his deep debt to Joshi for helping him in preparation of his speeches, etc. See Gokhale's letters to Joshi dated 16 April 1897, 14 May 1897, and 10 April 1902. In the last letter he referred to the public praise of his first budget speech and wrote: 'Of course it is your speech more than mine—and I almost feel I am practising a fraud on the public in that I let all the credit for it to come to me.'

the whole field of Indian political literature of the period was concerned mainly with economic affairs. These investigations reached the apex in the publication, in 1901-03, of R. C. Dutt's invaluable two-volume *Economic History of India*, written with the specific purpose of presenting a 'history of the people of India, of their trades, industries, and agriculture, and of their economic condition under British administration', and as a 'duty because at the present moment the economic story of British India has to be told, and the deep-seated cause of the poverty of the Indian people has to be explained.'[17]

As the Indian enquiry proceeded apace, the list of grievances began to swell, the economic scene began to be painted in dark, sombre colours and the belief spread that '"the unexampled prosperity" which has passed into a byword of the Indian cabinet, and the motto of the Indian counting house . . . is in name, but not in fact.'[18] Soon the subject of poverty began to dominate all discussions of economic problems in India and the Indian leaders began to attach the highest importance to it. Dadabhai Naoroji described it as 'the one rock, the one thing, the one test, which in its settlement will either make Britain a blessing to India, or Heaven knows what distress it may bring forth.'[19] It was characterised by many as 'the great problem of the day,'[20] 'the question of all questions,'[21] 'the root evil of the whole economic condition of India,'[22] 'the supreme problem—the problem of problems.'[23] In 1901 R. C. Dutt wrote: 'I do not think there is a question of graver import connected with any part of the British Empire than the present

17. Dutt, *EHI*, pp. v and xiii respectively.
18. Bholonath Chandra, *loc. cit.*, Vol. II, 1873, p. 84.
19. Naoroji, a speech delivered in 1888 on 'Benefits of British Rule and Poverty of India,' in *Eminent Indians on Indian Politics*, ed. by C. L. Parekh (Bombay, 1892) (hereafter referred to as *Eminent Indians*), p. 161. Earlier in 1876 he had called it 'the question, or rather the most serious question, of the day' (*Poverty*, p. 1).
20. *Hindu*, 27 May 1891.
21. Naoroji in *CPA*, p. 157. He went on to emphasise that 'this is the question to which we shall have to devote our best energies'. P. 166.
22. G. S. Iyer, *EA*, p. 9.
23. *Bengalee*, 14 March 1902.

condition of India,'[24] while Bipin Chandra Pal, one of the spokesmen of the Extremist party, wrote in the same year in the very first issue of his militant weekly *New India*: 'Of all the perplexing problems that confront New India, the economic problem seems to our mind, the most pressing and important.'[25] Justice Ranade in his essay on 'Indian Political Economy' emphasised in 1892 the supremacy of the economic questions over the political ones.[26] *The Amrita Bazar Patrika*, the leading Indian nationalist newspaper of the 19th century and an 'extremist' in politics from its very birth, wrote on 2 July 1885: 'The fact is, the people of India are willing to live in content under British rule if they can only get a full meal, and some measure of justice.'[27] All acts of the British regime in India were to be judged by the Indian leadership at this touchstone[28]: How did they affect the condition of the teeming millions of India, and whether progress in the country ultimate-

24. Dutt, *Speeches and Papers on Indian Questions*, 1901 *and* 1902 (Calcutta, 1904) (hereafter referred to as *Speeches* II), p. 86.

25. *New India* (Calcutta), 12 Aug. 1901. The editorial continued—and this reveals that not all the Extremist leaders were mainly interested in abstract nationalism—'And though never wishing to ignore any question, whether political, social, or religious, affecting the interests of New India we desire to make a persistent agitation of our present day economic and educational problems, our speciality.'

26. Ranade, *Essays*, p. 5.

27. The other and more radical side of this approach was pointed out by the same paper on 7 Nov. 1894: 'A nation, destitute of means to keep body and soul together can never be content—can never be loyal.

28. In his Presidential Address to the Indian National Congress in 1886, Dadabhai Naoroji declared: 'All the benefits we have derived from British rule, all the noble projects of our British rulers, will go for nothing if after all the country is to continue sinking deeper and deeper into the abyss of destitution.' CPA, p. 22. The *Bengalee*, edited by Surendranath Banerjea, wrote on 9 March 1902: 'And who will hold that for an impoverished and starving people daily bread is not a greater necessity than even a good and scientific Government which gives them law and order? Law and order are no doubt very good things, but bread is better.' Also see, S. N. Banerjea, *Speeches* 1880-84, Vol. II (Cal., 1885), pp. 3, 5, in CPA, p. 697; *Bengalee*, 28 Jan. 1882; *Mahratta*, 30 Dec. 1894; P. Mehta, *Speeches and Writings* (Allahabad, 1905) (hereafter referred to as *Speeches*), p. 451; Naoroji, *Speeches*, p. 389; *Bharat Jiwan*, 11 Dec. in the *Report on Native Press in North-West Provinces and 'Oudh* (hereafter referred to as RNPN), 19 Dec. 1899; *Advocate*, 27 Nov. (*ibid.*, 29 Nov. 1901).

ly meant improvement in their economic status?[29]

The British Indian authorities were conscious of the great importance attached by the Indians to this problem of poverty and accepted the challenge to make it the measuring rod of the success of their administration. Thus Sir Henry Fowler, Secretary of State for India, told the House of Commons on 15 August 1894:

> The question I wish to consider is whether that Government, with all its machinery as now existing in India, has, or has not, promoted the general prosperity of the people of India; and whether India is better or worse off by being a Province of the British Crown. That is the test.[30]

The 'poverty problem', therefore, occupied the centre of the stage in Indian politics in the formative period of Indian nationalism. The spokesmen of the British rule in India as well as the emerging Indian national leadership carried on prolonged controversies around it. There were few subjects of contemporary interest on which a greater gulf separated the opinions of the rulers and the ruled, and hardly any the discussion of which aroused more anger and violent denunciation.[31]

I. WAS INDIA POOR?

The first issue in this grand debate was the question of the existence of poverty. Dadabhai Naoroji was the first prominent national leader to proclaim the existence of absolute poverty

29. G. S. Iyer made a plea while moving Resolution No. III at the Congress session of 1902, that the Congress should 'concentrate all its attention and energy, as far as possible, upon this particular and most important question... the question of the poverty of the people is a question of paramount and enduring interest, and a satisfactory and correct solution of it alone is the foundation of the improvement of the country in all other lines.' *Report of the Indian National Congress* (hereafter referred to as *Rep. INC*) for 1902, p. 72. Also see N. K. N. Iyer, *Rep. INC* for 1901, p. 142.

30. *Hansard* (Fourth Series), Vol. XXVIII, c. 1135.

31. The anger and the denunciations continued up to 15 August 1947, and the differences still divide the historians of the British period of Indian history.

in India. In 1876, in his essay 'Poverty of India', he declared that 'India is suffering seriously in several ways and is sinking in poverty,'[32] and that 'the masses of India do not get enough to provide the bare necessities of life.'[33] He made poverty his 'special subject'[34] and stumped the whole of England for years to fulfil his 'life-long mission' of awakening the British public to the true condition of India.[35] With the growing years, the Grand Old Man, instead of mellowing, became more and more denunciatory and started using strong, even violent, language. In 1881, he denounced 'the wretched, heart-rending, blood-boiling condition of India'; [36] and bemoaned that 'to talk of oriental wealth now, as far as British India is concerned, is a figure of speech, a dream.'[37] In 1895, he declaimed that the Indian 'is starving, he is dying off at the slightest touch, living on insufficient food';[38] in 1900 he declared: 'The fact was that Indian Natives were mere helots. They were worse than American slaves, for the latter were at least taken care of by their masters whose property they were.'[39]

The Indian National Congress took up the question in 1886 and soon made the existence of extreme poverty in India an article of its faith.[40] At its seventh session in 1891, it passed a resolution affirming 'that full fifty millions of the population, a number yearly increasing, are dragging out a miserable exist-

32. Naoroji, *Poverty*, p. 1.
33. *Ibid.*, p. 31.
34. Naoroji in *Eminent Indians*, p. 161.
35. Most of the hundreds of speeches he delivered in England on his favourite topic are reproduced in his three published works cited above as *Essays*, *Speeches* and *Poverty*. Many others in full or summary form are to be found in *India*, the journal of the British Committee of the I.N.C. brought out from London from 1890.
36. Naoroji, *Poverty*, p. 229.
37. *Ibid.*, p. 88.
38. Naoroji, *Speeches*, Appendix A, p. 63.
39. Naoroji, *Poverty*, p. 652.
40. Resol. II. Introduction to the Report of the Congress for 1886 pointed out that 'No single delegate doubted or questioned in any way the fact of the extreme poverty of the masses; delegate after delegate from every single province and sub-province of the Empire testified to the great destitution which prevailed amongst the lower classes in their own portions of the country' (p. 18).

ence on the verge of starvation, and that, in every decade, several millions actually perish by starvation.'[41] This resolution became one of the hardy annuals at Congress sessions.[42] The successive Congress presidents made the poverty problem an essential part of their annual perorations[43] while nationalist writers and speakers found in Indian poverty a favourite theme.[44] For instance, as early as 1881, an anonymous writer

41. Resol. III.

42. See Resol. IX of 1892, Resol. VIII of 1893, Resol. III of 1894, Resol. XXII of 1895, Resols. XII and XIII of 1896, and so on.

43. For example, at the Twelfth Congress, President R. M. Sayani lamented 'that Indians are a poor nation, living from hand to mouth—indeed some of them actually starving and many of them having barely one meal a day.' (In *CPA*, p. 351). C. Sankaran Nair, President in 1897, bemoaned that 'the poverty of the country reveals itself to us in every direction, in every shape and form.' (*Ibid.*, p. 383). D. E. Wacha, President in 1901 described poverty 'as the normal condition of India'. (*Ibid.*, p. 604). Also see S. N. Banerjea in *CPA*, pp. 257-8, 684; N. G. Chandavarkar in *CPA*, p. 506; L. M. Ghose in *CPA*, p. 761. Other speakers on the Congress platform invariably and year after year expatiated on the poverty of the Indian people.

44. For instance Surendranath Banerjea referring to the Bengal peasant talked of 'the sad tale of his misery—the story of his starving children, his famished cattle, his wasted fields,' and declared that 'language barely suffices to describe the depth of his poverty or the extent of his misery.' S. N. Banerjea, *Speeches*, 1886-1890, Vol. III (Calcutta, 1890), p. 13. In 1890, he brought to the attention of an English audience 'the degrading, miserable, squalid poverty of the teeming millions of India.' (*Ibid.*, p. 195). Justice Ranade wrote in 1890 that 'the existence of this poverty needs no demonstration', and that 'the poverty of this country is phenomenal.... We need only walk through our streets, and study the most superficial aspects of our economic situation, and the fact forces itself upon us that we are a people of little resources.' *Essays*, p. 182. G. V. Joshi referred in the same year to 'a growing, exceptional poverty.... a poverty already crushing and degrading in the case of millions and millions in the lower strata of the population.... The appalling amount of misery and suffering that already exists all the country over....' *Op. cit.*, p. 818. R. N. Mudholkar, while seconding the Resolution on the Poverty of India at the 1891 session of the Congress said: 'The India of today presents a most mournful and abnormal spectacle.' *Rep. INC for* 1891, p. 19. R. C. Dutt wrote in 1901: 'The poverty of the Indian population at the present day is unparalleled in any civilised country.' *EHI*, p. vi. Also see his *England and India* (London, 1897), pp. 125-6, and *Economic History of India in the Victorian Age* (London, 6th edition, first published in 1903) (hereafter referred to as *EHII*), p. v. For a vivid description of the poverty of agricultural labourers in India see *EHII*, p. 606. C. Y. Chintamani wrote in 1902: '...famines and pestilence have become the normal conditions of the land and millions upon millions of my innocent and peaceful countrymen are dying of star-

in the *Journal of the Poona Sarvajanik Sabha* declared: 'This indication of extreme poverty is so appalling that in any other country the Government would have been forced to take up this question into its serious consideration under penalty of a revolution.'[45] The Indian press recited incessantly, day after day and week after week, the tale of India's economic woes and miserable plight.[46] The condition of the people of India was described as 'miserable', 'critical', 'deplorable', 'pitiable', and 'no better than that of lower animals.' The Indians were depicted as living 'on the point of starvation,' and having been reduced to 'abject' and 'grovelling, cringing and wallowing' poverty.[47] Some of the newspapers gave graphic accounts of India's poverty. For example, the Bengali paper *Sulabh Dainik* described the lot of the Indian citizen in the following words:

> He has lost his vitality, he has lost his substance, his very life-blood has been sucked dry, and he is, economically speaking, no better than a bag of dry bones. He is half-fed, he is half-clad. His daily food consists of a small quantity of rice and a large quantity of roots and leaves of plants. He has never tasted a delicious dish in his life. His clothes are

vation and the effects thereof.' HR, July 1901, p. 447. See also Malaviya, *Speeches* (Madras, undated), p. 31.

45. 'Review of "Indian Salt Tax"', *Journal of Poona Sarvajanik Sabha* (hereafter referred to as JPSS), July 1881 (Vol. IV, No. 1), p. 60.

46. References are too many to give here. The *Amrita Bazar Patrika*, the *Bengalee*, *The Hindu*, the *Mahratta*, and the *Reports on the Native Press* for various provinces and for the period under study are full of newspaper comments on the poverty of India.

47. See, for example, the *Ananda Bazar Patrika*, 13 Apr., in the *Report on the Native Press for Bengal* (hereafter referred to as RNPBeng.), 24 Apr. 1880; *Mitra Vilas*, 4 Oct., in the *Report on the Native Press for the Punjab, North-West Provinces and Oudh* (hereafter referred to as RNPPN), 7 Oct. 1880; *Sanjivani*, 14 June (RNPBeng., 21 June 1884); *Nibandh Mala*, May, in the *Report on the Native Press for Bombay* (hereafter referred to as RNPBom.), 13 Nov. 1880; *Nairang*, 2 March (RNPN, 10 March 1891); *Prapanch Mitran*, 10 Nov., in the *Report on the Native Press for Madras* (hereafter referred to as RNPM), 30 Nov. 1899; *Nibandh Mala*, June (RNPBom., 31 Dec. 1881); *Burdwan Sanjivani*, 30 Dec. (RNPBeng., 10 Jan. 1881); *Hindi Pradip*, Nov. (RNPPN, 11 Nov. 1880); *Harish Chandrika*, No. 8 (*ibid.*, 25 Nov. 1880); *Bengalee*, 23 Jan. 1892. Also *Hindu*, 28 April 1884.

torn to tatters. His homestead is a hovel and ill protects him from the inclemencies of weather.[48]

The *Kesari*, the Marathi weekly edited by Lokamanya Tilak, published in 1896 verses, entitled 'Shivaji's Utterances', in which Shivaji was depicted as complaining about the condition of the country under British rule as follows: 'Alas! Alas! I now see with my own eyes the ruin of my country.... What desolation is this!.... plenty has fled and after that health also. The wicked *Akabaya* (misfortune personified) stalks with famine throughout the whole country.'[49] The *Victoria Paper* from the Punjab went to the extent of asserting in its issue dated 26 January 1893 that those Indians who said people of India were well-off were 'traitors'.[50]

The focus of attention of the Indian national leadership was the condition of the masses and not that of the classes. Their chief concern was the poverty of the 'bulk of our countrymen, whose economic condition is the point at issue.'[51] It was the condition of 'the middle and lower classes of our community', of 'the agricultural classes', of 'the starving, shrunken, shrivelled-up Indian ryot, toiling and moiling from dawn to dark to earn his scanty meal', of 'the millions of our poorer classes, who, in normal periods, poor and underfed, in times of famine "die like flies",' and of 'the lower strata of the population' which was held up as the real test of the poverty or prosperity of the country.[52] Within the agricultural classes, it

48. 2 Nov. 1895 (*RNPBeng.*, 9 Nov. 1895).

49. Cited in Ram Gopal, *Lokamanya Tilak—a biography* (Bombay, 1956), pp. 147-8. These verses were later used by the government to convict Tilak of sedition.

50. *Report on the Native Press for the Punjab* (hereafter referred to as *RNPP*), 4 Feb. 1893.

51. Gokhale, *Speeches*, p. 16. As early as 1873, Bholonath Chandra had pronounced: 'Without the well-being of the greatest number, the material prosperity of a nation must be a myth—an illusion—an absurdity.' *Op. cit.*, p. 66. In 1881, B. G. Tilak opined that a country could not be said to have 'economically speaking, improved so long as the conditions of the toiling majority in that country have not improved.' Quoted in D. V. Tahmankar, *Lokamanya Tilak* (London, 1956), p. 319.

52. Gokhale, *Speeches*, p. 934 (Also Joshi, *op. cit.*, p. 753); Nundy in *Indian Politics*, p. 106; Gokhale, *Rep. INC for* 1895, p. 150; G. S. Iyer, EA,

was the condition of the agricultural labourers which came in for severe condemnation;[53] they were the ones who suffered 'from insufficient food from year's end to year's end'.[54]

Again, the problem of poverty was seen by the leading spokesmen of nationalist opinion as that of lack of production rather than of faulty distribution. However important the question of 'by whom, and through what channels, this income is distributed among the whole people,' might be in itself, 'the first and fundamental question' was whether the total production of India was sufficient to meet the ordinary wants of the people.[55] The problem when viewed from this angle hinged on the incapacity of India to produce enough and to retain inside the country whatever was produced.[56] Indian economic thinkers, therefore, laid stress on the need

p. 6; Joshi, *op. cit.*, p. 818; respectively. A clear statement of this position was made by A. Nundy, a prominent leader of the Congress in U.P., in an essay on 'The Poverty of India' published in *Indian Politics* in 1898. 'The agriculturists practically comprise the India of today, and if their condition is miserable, the material advancement of the rest is but of little account.' Here he quoted Adam Smith: 'No society can really be flourishing and happy of which the greater part of the members are poor and miserable' (p. 106). Further, 'what consolation is it to him to find the moneylending class adding to its ill-gotten gains at his expense, or the export merchant deriving a handsome profit in bartering away what is in fact the life blood of the country?' (p. 105). He admitted that 'the few' 'the Rajahs and Nabobs in British territory, the wealthy zamindars, the rich Mahajans and merchants, and some members of the professional and trading classes... are accumulating this gold and silver,' but pointed out that 'the multitude of the people is sinking into greater poverty' (p. 112). Also see N.K.N. Iyer, *Rep. INC for* 1901, pp. 140-1.

53. Joshi, *op. cit.*, p. 658; Dutt, *EHII*, pp. 605-6; G. S. Iyer, *EA*, p. 191.

54. Dutt, *EHII*, p. 606.

55. Naoroji, *Poverty*, p. 188. Also his *Essays*, p. 98; *Speeches*, p. 591.

56. Naoroji, *Essays*, p. 98; Joshi, *op. cit.*, pp. 753, 819. Joshi denied that Indian poverty was due to the absence of 'the equable distribution of wealth, as in some of the countries of the West' (p. 75). 'The problem, thus, with us,' he continued, 'is not a *socialist* problem, admitting of the application of any socialistic remedies' (p. 753), 'with us, the evil of poverty is not confined to any particular classes.... We have here no unjust inequalities in the distribution of wealth to rectify and no chasms to bridge over, dividing off class from class; we have no "Claims of Labour" to urge, no "Duties of Capital" to enforce, and no "Rights of Property" to plead' (p. 819).

for increasing the total production in order to increase economic welfare of the people.[57] This particular interpretation of the problem of poverty played an important role in the growth of Indian politics. It made poverty a broad national issue and helped to unite, instead of dividing, the different sections of Indian society in raising a common demand for the abolition of poverty.[58] It was also to some extent responsible for the theory of Indian 'exceptionalism', viz., that Indian economic development must take a path different from any traversed by other countries. The problem of poverty was also viewed by many Indians as that of decline in 'productive capacity and energy' and the relatively low rate of economic growth as well as a cause for the absence of economic development.[59]

For some time, the existence of 'abject' and 'stark' poverty was denied by most of the British Indian administrators, officials and ex-officials, who instead drew a rosy picture of a happy and contented peasantry. Stung by the repeated Indian nationalist charge that the people of India lived in extreme want, Lord Dufferin, the Viceroy of India from 1885-88, ordered in 1887 a confidential official inquiry 'into the condition of the lower classes of the population'. The inquiry reports were never made public, but the Government of India published in 1888 a resolution based on the provincial reports and in Appendix A to the resolution presented a *precis* of the

57. P. K. Gopalakrishnan, *Development of Economic Ideas in India*, 1880-1950 (New Delhi, 1959), p. 183. Joshi emphasised that the poverty problem was 'essentially and emphatically an industrial problem' (*op. cit.*, p. 753).

58. Joshi, *op. cit.*, p. 819: 'Ours is an exceptional case. It is the case of a whole community, opposed to *rival* communities.... What is wanted here is not the Poor Law of Elizabeth nor the *Ateliers nationaux* of the Provisional Government (of France)... but a comprehensive scheme of collective action....' (Emphasis added). By the same token, the British spokesmen in India turned suddenly class-minded and tried to 'blame it all' on the landlords, moneylenders and lawyers and to set class against class in India.

59. This will be brought out in greater detail in Chapter II. Also see Ranade, *Essays*, pp. 23, 183, 185, 191; and Joshi, *op. cit.*, pp. 738, 760, 803-04; Dutt, *EHI*, p. vii; *Kesari*, 31 March (*RNPBom.*, 4 Apr. 1903). 'Less and less work for the growing hands and less and less food for the growing mouths —this sums up our general industrial position' (Joshi, *op. cit.*, p. 804).

reports.[60] The provincial reports were unanimous in holding that there was no general insufficiency of food, that the condition of even 'the lower classes of the agricultural population is not one which need cause any great anxiety at present'[61], and that 'in normal years the people seem to enjoy a rude plenty.'[62] The Government of India was even more optimistic in 1893. Reviewing the provincial reports on the 'Material Condition of the People of India' from 1881-1891, it announced that the country was 'in a prosperous condition.'[63] *The Third Decennial Moral and Material Progress Report* (1891-92) asserted that the 'ordinary condition of the peasantry, then, from a material standpoint, is one of sufficiency, according to a standard that is gradually and continuously rising.'[64] Non-official British writers conformed to the official view and, being less responsible, gave more unrestrained expression to their views.[65]

60. See Resolution of the Govt. of India, Circular No. 96 F/6-59 dated 19 October 1888 (*Famine Prog.* No. 19, December, 1888).

61. *Ibid.*, para 4.

62. *Ibid.*, Appendix A. In Madras, it was found that 'a wage of 6 rupees a month enables a whole family to have three meals a day of rice and ragi (millet), with toddy or fish (near the coast), and butcher meat once or twice a week.' In Bombay, the allegation of insufficiency of food was completely refuted and, referring to the area about which the accusation of poverty was most commonly made in the Marathi press, the Provincial Government denied that there was 'widespread distress anywhere in the Deccan.' Mr MacKenzie, Chief Commissioner of the Central Provinces, came to the general conclusion that 'there is no doubt a great deal of poverty, but there is very little distress. The people are well-fed.' Mr Crooke, Collector of Etah in the North-Western Provinces, considered 'the peasantry to be a robust, apparently well-fed, population'.

63. *Resolution of the Govt. of India dated 27th Nov.*, 1893 (Deptt. of Revenue and Agriculture [General], File No. 95. Serial No. 7). The Bengal Report claimed that 'the lower orders enjoy a high and ever increasing standard of prosperity'.

64. *Statement Exhibiting the Moral and Material Progress and Condition of India During 1891-92 and Nine Preceding Years* (Being the Third Decennial Report). Prepared by J. A. Baines (London, 1894), p. 427.

65. For example, Sir John Strachey, ex-Finance Member of the Government of India, wrote in his *India* (new and revised edition, London, 1894): 'Now every tenant dresses like a Brahmin or Zamindar of old days.... His wife has often her holiday attire and her silver ornaments, for after providing the necessaries of life there is frequently something left for simple luxuries and for buying jewellery' (p. 303). Also see John Strachey and

II. THE PROOF OF POVERTY

The method most commonly used by the Indian national leaders to prove the existence of poverty in India was to quote short extracts from the writings of British Indian administrators, believing, obviously, that the devil could be best hoisted with his own petard. The two most oft-quoted extracts were those from Sir W. Hunter's book *England's Work in India* that 'Forty millions of the people of India habitually go through life on insufficient food,' and Sir Charles Elliott's remark that 'I do not hesitate to say that half the agricultural population never knows from one year's end to another what it is to have a full meal.'[66]

The evidence cited most often was that of figures of average per capita income, which were derived by dividing the total annual national income by the total population. This reduction of economic welfare, or lack of it, to a single index could be used to highlight and dramatise the problem as well as to compare levels of living over time and across space.[67] More-

Richard Strachey, *The Finance and Public Works of India from* 1869 to 1881 (London, 1882), p. 8; George Chesney, *Indian Polity* (London, 1894), pp. 314, 349.

66. Sir W. Hunter was the Director General of Statistics to the Government of India and Sir Charles Elliot was the P.W. Member of the Governor-General's Council. These two remarks were repeated in innumerable articles and books. See, for example, Naoroji, *Speeches*, p. 587; Malaviya, *Speeches*, p. 227; Joshi, *op. cit.*, p. 763; P. C. Ray, *The Poverty Problem in India* (Cal., 1895) (hereafter referred to as *Poverty*), p. 149; Nundy in *Indian Politics*, p. 115; Mudholkar, *ibid.*, p. 36. Other extracts to be usually found in nationalist literature of the period were those of Lord Lawrence (1864)—'India is on the whole a very poor country. The mass of the population enjoy only a scanty subsistence'; Sir E. Baring (1882)—'The tax-paying community is exceedingly poor'; Sir A. Colvin (1885)—the masses of people were 'men whose income at the best is barely sufficient to afford them the sustenance necessary to support life, living as they do on the barest necessities of life.' Randolph Churchill and the Report of the Famine Commission of 1898 were also often cited. Several writers and speakers referred to the results of the Dufferin Inquiry of 1888 and quoted extracts from the district officials' reports. See Joshi, *op. cit.*, pp. 763-6. B. N. Dhar, *Rep. INC for* 1892, p. 102; A. Nundy, *Rep INC for* 1894, pp. 55-6; Mudholkar in *Indian Politics*, p. 36; S. N. Banerjea in *CPA*, p. 686.

67. See Naoroji, *Poverty*, p. 188. Cf. V.K.R.V. Rao. *The National Income of British India* 1931-1932 (London, 1940), p. 7, and P. A. Wadia and K. T. Merchant, *Our Economic Problem* (Bombay, 1946) p. 522.

over, neat and easily grasped numerals gave the arguments 'the solidity of a quantitative basis';[68] they had a certain magic about them 'which cuts across even the illiteracy of the Indian people to appeal to their imagination.'[69]

To Dadabhai Naoroji belongs the credit of producing the first statistical estimate of average per capita income. In 1873, using simple but effective methods, he calculated that for the year 1867-68, the total national income of British India was 3.4 billion rupees for a population of 170 millions or 20 rupees per head.[70] Dadabhai was fully aware of the rough and approximate nature of his results, but this was, he felt, the best estimate possible with the statistical information avail-

68. Daniel Thorner, 'Long-term Trends in Output in India', in *Economic Growth: Brazil, India, Japan*, ed. by Simon Kuznets and others (Durham, N.C., 1955), p. 105.

69. Rao, *The National Income of British India* 1931-1932, p. 2.

70. Those concerned with the methodology of his calculations may see pp. 4-25 and pp. 147-73 of his *Poverty and Un-British Rule in India*. In brief, he estimated the total value of annual agricultural production to which he added an estimate of the total output for the year from mines, industries, fisheries, the meagre profits of foreign trade, and a large amount for 'contingencies' and arrived at the total national income for the year 1867-8. It is to be noted that he explicitly refused to assign any value to services believing that they were not genuine incomes but only appropriations of already created income (pp. 180-5 and 220). For criticism or justification of Dadabhai's concept of national income, see R. P. Masani, *Dadabhai Naoroji, the Grand Old Man of India* (London, 1939), pp. 203-4; K. T. Shah and K. J. Khambata, *Wealth and Taxable Capacity of India* (Bombay, 1924), p. vii; V.K.R.V. Rao, *An Essay on India's National Income* 1925-29 (London, 1939), pp. 19-22, and *National Income of British India*, 1931-32, p. 187; Wadia and Merchant, *op. cit.*, pp. 520-3; Surendra J. Patel, 'Long Term Changes in Output and Income in India, 1896-1960' in *Indian Economic Journal*, January 1958 (Vol. V, No. 3); Paul A. Baran, *The Political Economy of Growth* (Indian edition, New Delhi, 1957), pp. 36-7. Without going into the theoretical merits of Dadabhai's approach to national income, it may be briefly pointed out that a strong case for the usefulness of this approach of identifying national income with gross national physical product in case of backward countries can be made on the basis that as a result of the prevalence of disguised unemployment combined with the socially parasitic character of a large part of the 'service sector', and rapid structural and institutional changes—for example, increase of monetisation or commodity production—which these countries have been undergoing ever since they came into contact with the West, only measurements of actual physical production can serve any comparative or other purposes in economic analysis.

able to him.[71] This figure of Rs. 20 as the per capita income became in the later years the rallying cry of the national movement and was widely quoted with devastating effect in the nationalist newspapers, speeches, pamphlets, and books.

Dadabhai's figures painted a picture too gruesome to be left unchallenged. The officials had to find an answer and that too on the same statistical and easily comprehensible plane as Dadabhai's. In 1882, the Government of India issued an estimate prepared by Major Evelyn Baring, Finance Member, and David Barbour, in which the total income of British India was calculated at 5.25 billion rupees and per capita income at Rs. 27.[72] In 1901, Lord Curzon announced that in 1897-98 per capita income in India was Rs. 30.[73] When this figure was attacked by William Digby with an array of statistical arguments,[74] the cudgels were taken up by Fred J. Atkinson, a high official in the Accounts Department of the Government of India, who, in a paper read before the Royal Statistical Society in 1902, computed the average income per head in British India to be Rs. 39.5 in 1895 as compared to Rs. 30.5 in 1875.[75]

The Indian leaders were primarily interested in proving the

71. Naoroji, *Poverty*, p. 4. At the end of his calculations, Dadabhai remarked: 'One thing is evident—that I am not guilty of any underestimate of produce' (*Poverty*, p. 25). He also pleaded for more and better information: 'It is only when such complete information is furnished by the Indian authorities that any true conception can be formed of the actual material condition of India from year to year' (*ibid.*, p. 147). In spite of all the limitations, however, it was 'no little tribute to his skill that his estimate of the *per capita* income of Rs. 20 stood the test of all subsequent research in that field' (Masani, *op. cit.*, p. 204). Also, Shah and Khambata, *op. cit.*, p. 201; Rao, *An Essay on India's National Income* 1925-29, pp. 16-22.

72. Digby, *op. cit.*, pp. 364, 442-3. This estimate included total material produce as well as the services. It should be noted that the Government of India never published the reports of the detailed inquiries on which these calculations were based.

73. Lord Curzon of Kedleston, *Speeches*, Vols. I-IV (Calcutta, 1900, 1902, 1904, 1906), Vol. I, pp. 289-90.

74. Digby, *op. cit.*, Chapter XII.

75. Fred J. Atkinson, 'A Statistical Review of the Income and Wealth of British India,' *Journal of the Royal Statistical Society*, Vol. LXV, Part II (June 1902), p. 238.

existence of extreme poverty in India and not in legalistic or statistical quibbling. While sticking to Dadabhai Naoroji's figure, they readily agreed to carry on discussion and controversy on the basis of the official Baring-Curzon estimates of per capita income, which, they felt, though prepared by officials naturally prejudiced in judging their own handiwork and, therefore, being rather too high, exposed equally well the extreme poverty of India.[76]

The figures of India's per capita income were revealing enough as they stood. The Indian spokesmen were, however, of the view that since poverty was, in a way, both a comparative as well as a relative term, the real nature of Indian poverty might be brought out and grasped only when Indian income was compared with that of the other nations or contrasted with the bare minimum needs of a human being. They, therefore, addressed themselves to the task of proving that even by these criteria Indian masses came off rather badly. After considering the income of India, the next step was to discuss the question: How did the Indian per capita income compare with that of other countries? And the answer was—most unfavourably. This comparison was, once again, most often expressed in easily intelligible statistical terms, often in a tabular form.[77] According to the Indian

76. See Naoroji in *CPA*, pp. 160-1, *Speeches*, pp. 114, 527; Joshi, *op. cit.*, p. 758; Mudholkar in *Indian Politics*, p. 38; G. S. Iyer, 'The Viceroy on the Economic Condition of India', *HR*, May 1901, p. 355, *EA*, pp. 27-8; Gokhale, *Speeches*, p. 17; Dutt, *EHII*, p. 603. S. N. Banerjea put the whole national point of view in a nutshell in his Presidential Address to the Poona Congress of 1895: 'Whether it is Rs. 20 or Rs. 27 per head makes no difference. It is striking evidence of the deplorable poverty of the masses of our population' (*CPA*, p. 257).

77.

England	£ 41	Scotland	£ 32	Ireland	£ 16
United Kingdom	35.2	France	25.7	Germany	18.7
Russia	9.9	Austria	16.3	Italy	12
Spain	13.8	Portugal	13.6	Belgium	22.1
Holland	26	Denmark	23.2	Sweden	
Switzerland	16	Greece	11.8	and Norway	16.2
Turkey	4	Europe	18	United States	27.2
Canada	26.9	Australia	43.4	India	2

leaders, the tabular comparison threw 'a lurid light' upon the economic condition of the people; it showed that 'even such a mis-governed country as Turkey produces twice more per head per annum than India produces', or that 'India is nineteen times worse off than England', or that in comparison with India's poverty, 'even the most oppressed and mis-governed Russia is prosperity itself'.[78] It is this widespread notion of India being 'the poorest country in the civilised world',[79] which explains the immense strength and depth of the 'poverty feeling' in Indian hearts during the period under study as well as in later years.[80]

The next question taken up by the Indian leaders was that of the necessary expenditure per head for subsistence. They held that in order to get an accurate idea of the problem, average income must be judged in terms of the existing cost of living and that if it could be shown that what the average Indian earned was not sufficient to meet even his bare wants as a human being, the case regarding the existence of poverty in India would rest on unassailable ground. Consequently, the economists among the Indian nationalists directed their enquiries to this. Studies of cost of living or nutritional standards were more or less non-existent in those days and they had to rely upon stray estimates of the necessaries of life of emigrant coolies, labourers at famine works, common agricultural labourers, native sepoys, agriculturists, and prisoners

Naoroji, *Speeches*, p. 590; Joshi, *op. cit.*, p. 758; Ray, *Poverty*, p. 340; Banerjea in *CPA*, pp. 257-8; R. M. Sayani in *CPA*, p. 346.

78. Banerjea in *CPA*, p. 257; Naoroji in *Eminent Indians*, p. 164; R. M. Sayani in *CPA*, p. 347; Naoroji, *Speeches*, p. 310; respectively.

79. Naoroji in *Eminent Indans*, p. 164. Also see, for example, Banerjea, *Speeches*, Vol. III, p. 12; *ABP*, 30 March 1882.

80. Several modern economists hold that national income statistics 'are not of great value in international comparisons', due to many statistical difficulties and relativism of values involved (Wadia & Merchant, *op. cit.*, p. 523). But obviously a 'suitably devised formula' can be found, for such comparisons are a common practice. See Colin Clarke's *Conditions of Economic Progress* referred to in ibid., p. 528. In any case, where divergence in incomes is sharp and can be measured in multiples of 2 or more, as was the case with the comparison drawn by the Indian leaders, such contrast does acquire a certain 'rough and ready' validity.

in jail. In every case, the per capita income was found to be less than what would have met the needs of any of the categories of men enumerated above.[81] The most effective commentary on Indian conditions was the comparison of the per capita income with the diet and other maintenance expenses of a jail prisoner. Dadabhai calculated from the different provincial reports for the year 1867-68 that the official cost of food and clothing only for prisoners in jail was Rs. 31 for the Central Provinces, Rs. 27 and As. 3 for the Punjab, Rs. 21 and As. 13 for the North-West Provinces, Rs. 31 and As. 11 for Bengal, Rs. 53 and As. 2 for Madras and Rs. 47 and As. 7 for Bombay.[82] Similar calculations were made by some other Indian writers.[83] When the per capita income was compared with the figures of cost per head in jails, the conclusion was obvious and telling that 'even for such food and clothing as a criminal obtains, there is hardly enough of production even in a good season, leaving alone all little luxuries, all social and religious wants, all expenses of occasions of joy and sorrow, and any provision for bad season.'[84] It might, therefore, be rightly concluded, they felt, that a large number of Indians were chronically starved and lived below the margin of subsistence.

Leaders like Dadabhai Naoroji, G. V. Joshi, G. Subramaniya Iyer, and Surendranath Banerjea also realised fully well that the word average, being an economic fiction, hides

81. Naoroji, *Poverty*, pp. 25-31; Joshi, *op. cit.*, pp. 759-60; Mudholkar, *Rep. INC for* 1891, p. 20; G. S. Iyer, EA, p. 28.

82. Naoroji, *Poverty*, p. 30, and *Speeches*, Appendix D, p. 187.

83. Joshi, *op. cit.*, pp. 759-60; Mudholkar, *Rep. INC for* 1891, p. 19, and in *Indian Politics*, p. 38.

84. Naoroji, *Poverty*, p. 31. Interesting light on this aspect of the problem is thrown by the Dufferin Inquiry and Resolution of 1888. The Civil Surgeon of Nellore, Madras, reported that prisoners improve in weight after some time in jail. The answer of the Madras Board of Revenue was that jail diet was very liberal and jail work was less harsh. Also jail came as a relief to a prisoner after the worry of his case. The Government summary of the Provincial Reports had this interesting comment to make: 'This question of rise in weight during incarceration is one of some importance, and has been noticed in other provinces.' See Government of India Resolution of 19th Oct. 1888, *op. cit.*, Appendix A.

a multiplicity of sins and that the poorer sections of the population did not get the full share of the average income. The average per capita income included the incomes of the foreign capitalists and the highly paid foreign civil service, the big *zamindars*, the city merchants and the rural and urban middle and upper-middle classes. And, therefore, for the lower strata of the population the real income must be a lot below the average and the struggle for life much more difficult than the per capita figure would indicate.[85]

It was above all the regular and devastating famines which, in the nationalist view, highlighted the problem and served as conclusive evidence of the abject poverty and the chronic starvation of the masses. They indicated 'a greater evil—the permanent poverty of the Indian population in ordinary years'; revealed 'the complete exhaustion of the nation'; provided 'additional proofs of the prostration, the utter destitution and helplessness of the bulk of the population in this country'; 'conclusively demonstrated, beyond all other facts and all other statistics, the existence of the poverty of India. . .'; and were but the 'outward signs' of poverty.[86]

Apart from advancing positive grounds to prove the existence of extreme poverty, the national leadership controverted vigorously the counter-arguments put forth by the British Indian administrators and writers to show that there was abundance and prosperity in the land. In the absence of a single objective norm by which Indian people might be held to be well-off, the British spokesmen took recourse to subjec-

85. Naoroji, *Poverty*, p. 31, in *CPA*, p. 160, *Speeches*, pp. 528, 589, Appendix, p. 186; Joshi, *op. cit.*, pp. 62-3; Banerjea in *CPA*, p. 258; G. S. Iyer, *EA*, p. 28. That there existed regional disparities in income distribution was also recognised by Dadabhai. See *Speeches*, Appendix, p. 186.

86. Dutt, *EHII*, p. vi; *ABP*, 11 March 1897; N. M. Samarth, *Rep. INC* for 1896, pp. 158-9; Sayani in *CPA*, p. 366; *Advocate*, 2 Feb. (*RNPN*, 4 Feb. 1905), respectively. Also see, for example, Malaviya, *Speeches*, p. 248; Resol. XII of the INC for 1896; Resol. IX of the INC for 1897; C. Sankaran Nair in *CPA*, p. 383; D. E. Wacha in *CPA*, p. 560; Dutt, *Speeches II*, p. 55; *Kesari*, 22 June (*RNPBom.*, 26 June 1897). The interrelation between poverty and famines is examined in greater detail below.

tive standards. They argued that the Indian masses were as prosperous as they wanted to be—the fact of their having low income only showed that they had few wants and not that they were poor.[87] What appeared to be poverty from an absolute point of view turned into its opposite when considered in relation to the few wants of the people. The keynote of this argument was that if the peasant was satisfied, he was *ipso facto* well-off too. 'His wants are few and easily satisfied,' commented the *Bengal Report on the Material Condition of the People*, 1880-91: 'Judged from their own standpoint, the peasantry of Bengal are happy and prosperous.'[88] The writer of the *Report for the North-West Provinces and Oudh* was astonished to discover 'on what dismal sustenance the Hindu cultivator can live and yet keep more healthy and hearty, if not fatter, than many well-fed persons.'[89] A corollary of this argument was the assumption that due to the teachings of religion and long-standing social values, the Indian peasant was more interested in spiritual contentment than the satisfaction of his material needs.[90] Using this sub-

87. After having declared that 'after all, poverty and wealth are relative terms', Lord Elgin opined in 1899: 'I do not believe that the great mass of the people think themselves impoverished. If their income is small, it suffices for their simple wants' (*Speeches* (Cal., 1899), p. 491).

88. *Provincial Reports on the Material Condition of the People*, 1880-91, (Simla, 1894), Bengal Report, p. 9.

89. *Ibid.*, Report for N.W.P. & O., p. 19. See also Strachey, *India* (1894), pp. 301-3. Again and again British administrators referred to this 'fatalist' concept of prosperity so far as the Indians were concerned. Strachey wrote: 'The immediate requirements of life are easily satisfied in the climate of India. His mud-walled cottage affords clean, and according to his ideas, comfortable shelter.... Under ordinary circumstances he has sufficient food of the only kind that he desires.... He has not much clothing, but much is not wanted; even in the winter he suffers little from the cold' (*India*, 1894, pp. 301-3). For the Dufferin Inquiry of 1888, many a district and provincial official sent in conclusions based on this outlook. For example, the Collector of Maldah wrote that the small cultivators 'have in ordinary years more than enough to live upon in a way that implies *the best physical condition of which the climate and their habits admit*', and the Collector of Hooghly was convinced that '*Judged from their own points of views, by their own standard*, they are prosperous and contented' (Emphasis added). Government of India Resolution of 19th Oct., 1888, *op. cit.*, Appendix A.

90. *Provincial Reports on the Material Condition of the People*, 1881-91,

jective and relativistic approach, the British officials and ex-officials also tried to counter the Indian tendency of comparing the Indian per capita income with that of the European countries. The more sober among them declared that in view of widely divergent wants and values, it was a hopeless task to compare the standard and cost of living in India with those of the European nations; they must be judged only in relation to India's own needs.[91] The less cautious of the British officials went much farther in remarking upon the superior lot of the Indian peasant as compared with that of his European counterpart. Thus, John Strachey observed in 1894 that if the physical ease and comfort of the average Indian peasant were compared with those existing among the same classes in a greater part of Europe, 'it cannot be doubted that "the advantage would probably be greatly in favour of the former." '[92] Grant-Duff, ex-Governor of Madras, had earlier adopted the same attitude in a magazine article in 1887.[93] The lesser officials were even less restrained. The Commissioner of Dacca arrived in 1888 at the startling conclusion that 'looking to their needs, the peasantry of Eastern Bengal are

Bengal Report, p. 9. Also Collector of Hooghly quoted in Resolution of the Govt. of India dated 19th Oct. 1888, *op. cit.*, Appendix A. Cf. 'In considering Indian economic questions it must, moreover, never be forgotten that tranquillity and comfort rather than the accumulation of wealth, or the acquisition of higher wages, are the objects of the Indian', wrote J. D. Rees, late Additional Member of the Governor-General's Council, in one of the major apologias for the British Raj to appear in print, *The Real India* (London, 1908), pp. 319-20.

91. *The Third Decennial Moral and Material Progress Report*, p. 419. See also Rees, *op. cit.*, p. 318; Theodore Morison, *The Economic Transition in India* (London, 1911), pp. 159-60. Morison opined that 'nothing but confusion of thought arises from the comparison of incomparables' (p. 160).

92. *India* (1894), p. 301. The Famine Commissioners, whom he was quoting, added, however, the interesting proviso, which was unconsciously ironical, 'although his life may be shorter and subject to greater risks.' Similarly, H. H. Fowler, Secretary of State, asserted in 1894 that 'in rural India, from the nature of the climate, the poorer classes have fewer wants than in this country, and can satisfy those wants more easily than the poor of England can satisfy theirs' *Hansard* (Fourth Series), 15 Aug. 1894, Vol. XXVIII, cs. 1138-9.

93. Quoted in Naoroji, *Speeches*, p. 583. Also Rees in commenting on Atkinson's paper, *loc. cit.*, p. 276.

about *the most prosperous in the world.*' Tayner, the Collector of Hooghly, was no less enthusiastic: 'The condition of the poorer classes in this district, compared with that of the same classes in England, may unhesitatingly be described as *superior in every respect*... and I doubt not that there are thousands upon thousands of the English poor who will *gladly change their places with them.*'[94]

The Indian leaders described the entire approach on which this reasoning was based as cruel and heartless.[95] They vehemently rejected the theory that the Indians have few wants[96] or that they were incapable of wanting and enjoying higher standards of material comfort.[97] Their existing low standard of living could not serve as a vindication of the denial to them of the right to improve their lot.[98] The heart of the matter was that

> The British first take away their means, incapacitate them from producing more, compel them to reduce their wants to the wretched means that are left to them, and then turn round upon them and, adding insult to injury, tell them: 'See, you have few wants; you must remain poor and of few wants. Have your pound of rice—or, more generously, we would allow you two pounds of rice—scanty clothing and shelter. It is we who must have and would have great human wants and human enjoyments, and you must slave and drudge for us like mere animals, as our beasts of burden.'[99]

The Indian leaders denounced the ascetic outlook and refused to exalt poverty in the name of spiritualism. Instead, they

94. Emphasis added. Government of India Resolution of 19th Oct. 1888, *op. cit.*, Appendix A. Many other officials adopted a similar approach in their reports.

95. G. S. Iyer, EA, p. 20.

96. On the other hand, wrote R. C. Dutt, 'the poorer classes are trained by life-long hunger' to have few wants (EHI. p. xxii).

97. 'See the manner,' pointed out Dadabhai Naoroji, 'in which the rich Hindoos and Mahommedans of Bombay live' (*Essays*, p. 134).

98. 'Once the Britons were wandering in the forests of this country, and their wants were few; had they remained so for ever what would Britain have been to-day?' asked Dadabhai (*Speeches*, p. 311).

99. *Ibid.*, pp. 311-2.

placed material comfort on a high pedestal.[100] They were imbued with the desire to augment the material wealth of the nation to the greatest possible extent by increasing its physical productivity, since, according to them, satisfaction of human wants was proportional to the available quantities of material goods.[101] The emphasis of their entire economic agitation was on the removal of poverty and not of 'unhappiness', their immediate goal was limited to getting two square meals a day for the starving poor, and the burden of their attack was that even the few wants of the Indians were not being satisfied.[102]

III. WAS POVERTY GROWING?

As a result of the nationalist agitation, independent enquiries, and the repeated visitations of famines which affected vast areas and large population and which knocked out any pretence of prosperity, the nationalist view regarding the prevalence of widespread poverty in the country came to be more or less universally accepted not only by the people of India but also by their rulers. The Resolution on the Economic Inquiry of 1888, while stating that the condition of the lower classes of agricultural population was 'not one which need cause any great anxiety at present', admitted that there was 'evidence to show that in all parts of India there is a numerous population which lives from hand to mouth,'[103] and that it was 'not an exaggeration to say that over the greater part of the continent the small cultivators and

100. This was made very explicit by G. V. Joshi: 'A high standard of comfort is the *vis inertiae*—the resisting moral force which nerves us to greater exertion and endurance in adverse times, and enables us to tide over them. The worst misfortunes that can befall a nation have no terror, if they do not depress its standard of comfort, and the blessings of enforced tranquillity become a curse, when a nation slides itself into willing reconciliation with a lower standard of life' (*op. cit.*, p. 768).

101. Gopalakrishnan, *op. cit.*, p. 183. Also Resolution IX of the INC for 1892.

102. See Resolution IX of the INC for 1892 and similar resolutions of the later Congresses.

103. Govt. of India Resolution of 19 Oct. 1888, *op. cit.*, para 4.

labourers live from hand to mouth.'[104] In 1898, the Lyall Famine Commission found that the lower strata of the agricultural population were still steeped in extreme poverty and did not have enough food even in normal years.[105] In the later years of his viceroyalty, Lord Curzon frankly confessed that there was 'enough, and far more than enough' of poverty in India.[106] The official per capita income estimates released by Major Baring and Lord Curzon, though debatable in other respects, revealed in a striking manner the utter poverty of the Indian masses. Thus by the close of the 19th century belief in the existence of poverty in India had acquired the currency and force of a maxim.

The focus of the propaganda battle between the British rulers and the emerging Indian national leadership shifted, therefore, to an even more explosive question: was the poverty of India 'growing more or growing less'?[107] The question was of great importance because the answer to it would decide—and that is why the question was posed by both sides in this form—whether India was better off or worse off for being a British colony.[108] The British in India were

104. *Ibid.*, Appendix A. Lord Dufferin's comment on his own Resolution was 'any one who can derive much satisfaction from the result must be either of a very sanguine or a very callous temperament.' Lord Dufferin, *Speeches* (Calcutta, 1889), p. 241. As a matter of fact, many of the district and provincial reports published as Appendix A to the Resolution went a long way in proving the existence of utter poverty and destitution in India. All that the Government Resolution succeeded in establishing was that there was no permanent famine in India. This was a small consolation indeed!

105. *Report of the Indian Famine Commission*, 1898 (Calcutta, 1898), paras 591-2.

106. Curzon, *Speeches*, Vol. III, p. 149. Similarly, George Hamilton, Secretary of State, agreed that there existed 'a dense mass of poverty' in India. *Indian Debates*, 3 Feb. 1902, c. 108.

107. The question was posed lucidly in this manner by Lord Curzon. *Speeches*, Vol. IV, p. 36. As early as 1838, Babu Ram Gopal Ghosh of the Young Bengal group had expressed a desire to investigate the question: 'Is wealth increasing or decreasing? Are the comforts of the great body of the people increasing or diminishing and what are the causes?' Quoted in Ram Gopal Sanyal's *A General Biography of Bengal Celebrities* (Calcutta, 1889), p. 175.

108. And an answer had to be given. No relativistic arguments could

more touchy—and rightly so—over this question than over that of the existence of poverty, since acceptance of the fact that India was growing poorer would not only mean self-condemnation but lead to serious political repercussions. This was recognised fully well by the highest British authorities, and Lord George Hamilton, Secretary of State, accepting the full challenge of the problem, declared in the House of Commons on 16 August 1901: 'I admit at once that if it could be shown that India has retrograded in material prosperity under our rule we stand self-condemned, and we ought no longer to be trusted with the control of the country.'[109] The subject was also important because if the disease was not acknowledged, it was useless to look for its causes and remedies.

For years the Indian leaders had taken the position that not only was India poor, but that she was growing poorer day by day. They hammered incessantly at the theme of the ever-growing, ever-deepening poverty of the Indian masses. For example, G. K. Gokhale made this the keynote of his famous budget speech of 1902 and, after examining the question from all angles, came to the conclusion that the material condition of the mass of the people in India was 'steadily deteriorating', and that the phenomenon was 'the saddest in the whole range of the economic history of the world'.[110] At its very second session in 1886, the Indian National Congress stated their conviction regarding 'the increasing poverty of vast numbers of

cloud the issue here. Both sides could not be right; one had to be wrong. Cf. Digby, *op. cit.*, p. xix.

109. *Hansard* (Fourth Series), Vol. XCIX, c. 1209. Similarly, he again declared on 3 February 1902: 'I have more than once stated my opinion that our main claim, our only claim, to rule India is the belief that we can improve the material prosperity of those who live within its borders.' (*Indian Debates*, 3 Feb. 1902, c. 105).

110. Gokhale, *Speeches*, p. 19. Also see, *ibid.*, p. 934; Naoroji, *Poverty*, p. 186, and *Speeches*, Appendix D, p. 167; Lal Mohan Ghose, *Speeches* (Calcutta, 1883), p. 87, in *CPA*, p. 756; Malaviya, *Speeches*, pp. 219, 238; Joshi, *op. cit.*, pp. 738, 752-3; Mudholkar in *Indian Politics*, p. 33; Nundy, *ibid.*, p. 101; Wacha in *CPA*, p. 560; G. S. Iyer, *EA*, p. 6; Dutt, *Speeches II*, pp. 28, 159.

the population of India',[111] and reiterated the proposition session after session. The nationalist press was no less vehement in its denunciations of the 'daily growing' poverty, which, it was said, had become a 'palpable' and an 'established' fact.[112]

On the other hand, most of the British officials in India, and the British writers in general, maintained that under the British regime the material well-being of the people was constantly improving, and that not only was the increasing-impoverishment theory baseless and completely delusory, but the future was full of hope and promise as India was already starting on the high road to prosperity.[113] The staunchest exponent of this theory was Lord Curzon who returned to this subject again and again in practically every one of his annual speeches on the budget.[114] In 1901, he calculated, as pointed out earlier, that India's per capita income had gone up from Rs. 27 in 1882 to Rs. 30 in 1898, and, though not satisfied with the rate of progress, proclaimed that the movement was

111. Resolution II of INC for 1886. Also Wacha, *Rep. INC for* 1886, p. 60.

112. See, for example, *Hindu*, 10 Sept. 1884, 29 Aug. 1887, 1 Feb. 1898; *Mahratta*, 21 Dec. 1884, 11 Nov. 1900; *Native Opinion*, 13 April (*RNPBom.*, 19 April 1884); *Navavibhakar*, 7 Jan. (*RNPBeng.*, 7 June 1884); *Sadharani*, 27 July (*ibid.*, 27 Aug. 1884); *Sanjivani*, 18 July (*ibid.*, 25 July 1885); *Dnyan Prakash*, 19 March (*RNPBom.*, 21 March 1885); newspapers covered by the *Voice of India* (hereafter referred to as *VOI*), Oct. 1887; *Umballa Gazette*, 27 June (*RNPP*, 7 July 1888); *Paisa Akhbar*, 13 Apr. (*ibid.*, 18 Apr. 1891); *Dost-i-Hind*, 12 June (*ibid.*, 20 June 1891); *Kesari*, 22 June (*RNPBom.*, 26 June 1897); *Bharat Jiwan*, 25 July (*RNPN*, 3 Aug. 1898); *ABP*, 17 June 1898, 12 Oct. 1901; *Bengalee*, 9 March 1902.

113. Grant-Duff in 1886, quoted in Naoroji, *Speeches*, p. 583; John Strachey and Richard Strachey, *op. cit.*, Chapter I; Dufferin in 1888, *Speeches*, p. 241; Strachey, *India* (1894), p. 303; General Sir George Chesney, *Indian Polity* (London, 1894), p. 394; Henry Fowler, *Hansard* (Fourth Series), 15 Aug. 1894, Vol. XXVIII, c. 1139; Elgin, *Speeches*, pp. 360-1; *Report of the Famine Commission of* 1898, para 592; *Statement Exhibiting the Moral and Material Progress and Condition of India During the Year* 1901-02 *and the Nine Preceding Years* (Being the Fourth Decennial Report), prepared by Francis C. Drake (London, 1903), p. 332; *Financial Statements* for 1901-02 (para 136), for 1902-03 (para 90), for 1903-04 (para 117). In 1902, Fred J. Atkinson calculated that India's per capita income had gone up by 29.5% between 1875 and 1895 (*loc. cit.*, p. 238).

114. Curzon, *Speeches*, Vol. I, p. 158, Vol. II, pp. 165, 288-90, Vol. III, pp. 148-9, 389 and Vol. IV, pp. 36-7, 211-2.

'distinctly in a forward, and not in a retrograde direction'.[115] By 1904, he felt even more confident. Jeering at his Indian critics like G. K. Gokhale and comparing them to an amiable eccentric who put up his umbrella and insisted that it was raining when the sun shone, he asserted that India was 'exhibiting every mark of robust vitality and prosperity'.[116] By 1905, he had become completely convinced that the material progress of India was 'without example in the previous history of India and rare in the history of any people'.[117]

When it came to examining the rival contentions in detail, the two sides argued, more often than not, on the basis of the same economic indicators, which were, however, interpreted in diametrically opposite manner. Even when there was agreement on some factors leading to material progress, the Indian leaders held that these were more than counterbalanced by the disappearance of still greater agents of national prosperity.

To the national leadership, famines were clear proof of India's poverty, and their ever increasing intensity, extent, and mortality,[118] an 'infallible index' of the growing impoverishment of the country.[119] To the British, on the other hand, famines were the result of nature's caprice, and had little to do with human efforts.[120] The Indians looked upon the increasing indebtedness of the peasantry and the consequent transfer of land from the cultivating to the non-cultivating classes as signs

115. *Ibid.*, Vol. II, p. 290. Similarly, George Hamilton claimed: 'But though slow, so as at times to be almost imperceptible, the material advance has been continuous.' *Hansard* (Fourth Series), 16 Aug. 1901, Vol. XCIX, cs. 1208-09. Also *Indian Debates*, 3 Feb. 1902, cs. 108, 110.

116. *Ibid.*, Vol. III, p. 389.

117. *Ibid.*, Vol. IV, p. 212.

118. 'The famines which have desolated India within the last quarter of the nineteenth century are unexampled in their extent and intensity in the history of ancient or modern times' (Dutt, *EHI*, p. vi).

119. 'Is it possible to overlook the significance of these famines', queried Surendranath Banerjea from the Congress presidential chair in 1902, 'with their increasing severity and frequency and the silent but conclusive testimony which they bear to the material retrogression of the people?' (in *CPA*, p. 683). Also see G. S. Iyer, *Rep. INC* for 1900, p. 29; Dutt, *Speeches II*, p. 28. Also see below.

120. This attitude is examined in detail below.

of their growing lack of means.[121] Some of the British officials and writers denied that indebtedness indicated a state of poverty for the peasant.[122] Alternatively, they considered indebtedness to be a cause and not an effect of his poor condition.[123] G. V. Joshi and Gokhale also pointed to the rising death rate, independent of famine and plague, as showing that ever-larger number of people were being underfed.[124] However, while offering these positive proofs of India's growing poverty, the Indian leadership, as a whole, paid much more attention to the demolition of the British case for increasing prosperity. It obviously believed that the burden of proof lay on those who made a positive assertion.

The British spokesmen opened their case by appealing to History, the Grand Judge. They maintained that the basis of comparison for pronouncing upon the relative material results of the British Raj had to be the condition of India under pre-British rulers. In this comparative light, they argued, the British rule shone quite brightly as India was completely im-

121. Joshi, *op. cit.*, p. 420; P. P. Pillai, *Rep. INC for* 1892, p. 98; Mudholkar in *Indian Politics*, p. 39; Nundy, *ibid.*, pp. 116-7; G. S. Iyer, *Report of the Royal Commission on the Administration of the Expenditure of India* (hereafter referred to as *Welby Commission*), Minutes of Evidence, Vol. III, *Parliamentary Papers* (House of Commons), 1900, Vol. 29, C 130, Qs. 19615-6, and EA, p. 13; Wacha in CPA, p. 560; Dutt, *Open Letters to Lord Curzon* (Calc. 1904) (hereafter referred to as *Open Letters*), p. 17; Banerjea in CPA, p. 689; Gokhale, *Speeches*, p. 53; Resolution IV of INC for 1904; and the speeches on this Resolution, *Rep. INC for* 1904, p. 128. Also Chapter X below.

122. 'Indebtedness does not necessarily imply poverty, certainly not distress, and the position of the average debtor is comparable to that "of a man who keeps a running account at a bank and occasionally overdraws it".' *The Third Decennial Moral and Material Progress Report*, p. 435. Another official publication went even farther: 'It is rather a sign of credit, and therefore the possession of resources than of actual want'. (*Provincial Reports on the Material Condition of the People* 1881-91, p. 8 of the *Bengal Report*). Also Reports of the Commissioners of the Presidency Division, and Patna, Collector of Etah in N.W.P.&O., Deputy Commissioners of Damoh and Bhandara in the Central Provinces, and the Government summary itself in the Government of India Resolution of 19th Oct. 1888, *op. cit.*, Appendix A.

123. See below Chapter X.

124. Joshi, *op. cit.*, pp. 227, 769-70; and Gokhale, *Speeches*, pp. 18, 52.

poverished before the British came.[125] The Indian leaders were quite willing to accept a judgment based on their past. Some of them readily acknowledged that Indian poverty had historical roots and was 'an old, a very old Inheritance',[126] and that India of the past was no haven of prosperity.[127] But most of them believed that India's present misery and poverty had no 'parallel at any former period'[128] and that the British rule was 'the greatest curse with which India has been ever afflicted'.[129] Many of them tried to prove that the Indian people were better off in the times of Akbar and some other Indian rulers.[130] Some of the national spokesmen even glorified the past and loudly bewailed the loss of wealth and splendour of the days gone by.[131] The official contention was neatly countered by

125. General George Chesney, ex-Military Member, wrote in 1894: 'The wealth at any rate is the creation of our rule, we found India poverty-stricken as it always had been before, and as doubtless it would still be if we had not appeared on the scene' (*op. cit.*, p. 397). 'But if you compare India of to-day with the India of Alexander, of Asoka, of Akbar or of Aurangzeb,' remarked Lord Curzon in 1904, 'you will find... higher standards of material well-being, than that great dependency has ever previously attained' (*Speeches*, Vol. IV, p. 37). Also see, H. G. Keene, 'An Alien Yoke', *Calcutta Review*, Oct. 1904, p. 442; Rees, *op. cit.*, p. 384.

126. Ranade, *Essays*, p. 182.

127. A young Indian writer, who took active part in National Congress affairs of Bengal, went to the extent of admitting that Indian peasantry had been 'a rack-rented and unhappy class of people, in all the various stages and epochs of Indian history—ever "the sport of fortune, and the plaything of avarice" ' (Ray, *Poverty*, p. 199). But even he added that 'under British administration the misery has only deepened' (*ibid.*, p. 214). Also see Mudholkar, *Rep. INC for* 1891, p. 21.

128. *Ananda Bazar Patrika*, 13 Apr. (*RNP Beng.*, 24 Apr. 1880).

129. Naoroji, *Poverty*, p. 579. An Indian writer, Kailas Chandra Kanjilal, wrote in the *Calcutta Review* that British rule had 'produced a degree of misery that never existed under the Hindu, or the Mughul, Tippu Sahib or the Peshwa' (*Calcutta Review*, Oct. 1901, pp. 309-10).

130. See, for example, *Sanjivani*, 14 June (*RNPBeng.*, 21 June 1884); *Gramvarta Prakasika*, 9 Aug. (*ibid.*, 16 Aug. 1884); S. N. Banerjea, *Rep. INC for* 1896, pp. 135-6; *Kesari*, 22 June (*RNPBom.*, 26 June 1897), and 14 Jan. (*ibid.*, 18 *Jan.* 1902); N. K. N. Iyer, *Rep. INC for* 1901, pp. 140-1; C. Y. Chintamani, 'The Economic Aspects of British Rule in India', *HR*, Dec. 1901, pp. 485-6; *Bengalee*, 22 Oct. 1903. Also see, Naoroji, *Speeches*, p. 389; Tilak, quoted in Pradhan and Bhagwat, *op. cit.*, p. 72; Ray, *Poverty*, p. 75.

131. 'India was at one time', wrote the *Amrita Bazar Patrika*, 'the wealthiest country in the world (22 May 1884). Delegate after delegate to the Congress referred year after year to the past riches of the country.

Alfred Nundy's poser: 'If it was to relieve the suffering poor that the English merchants were first attracted to India, or is it, as their own historians say, that they came here attracted by the wealth of India?'[132]

The increasing imports of 'enormous' quantities of precious metals into India and their consequent accumulation in the hands of the people enjoyed great favour with the British Indian officials and writers as a positive indication of the growing wealth of the country.[133] One of them, Fred J. Atkinson, calculated in 1902 that during the years 1800 to 1895 India had imported gold worth £141,705,000 and silver worth Rs. 4,792,403,000. After making deductions for coins, etc., he arrived at the figure of Rs. 26 per head as the hoarded wealth of India.[134] This line of argument failed, however, to impress the Indian leaders. While admitting that there had been net imports of precious metals throughout the 19th century, they denied that this should be regarded as a sign of increasing prosperity or as an addition to national wealth. They pointed out that the major portion of the total import of silver was meant not for hoards or jewellery but for meeting the pressing financial and commercial needs for currency. The imported

See the *Reps. INC for the years* 1899-1904. Dadabhai reproduced in his *The Poverty and Un-British Rule in India* in 1901 an essay he had written in 1853 on 'The State and Government of India Under the Native Rulers' in which, by quoting various British authors, he tried to show that at the date of Alexander's invasion, and for centuries before it, the Indian people 'enjoyed a high degree of prosperity which continued to the breaking up of the Mughul Empire' (p. 584). This essay was virtually reproduced by G. S. Iyer in 1903 in his *Some Economic Aspects of British Rule in India.* See also Nundy in *Indian Politics,* pp. 103, 105, 110. Ranade's *The Rise of Maratha Power in India* (Bom., 1900) was obviously written to bring out the same point. Also see R. M. Sayani, *Abstract of the Proceedings of the Imperial Legislative Council* (hereafter referred to as LCP), 1897, Vol. XXXVI, p. 190; P. A. Charlu, *ibid.,* p. 232.

132. In *Indian Politics,* p. 110.

133. Grant-Duff, quoted in Naoroji, *Speeches,* p. 610; Fowler, *Hansard* (Fourth Series), 15 Aug. 1894, Vol. XXVIII, cs. 1139-40; J. Peile, *Welby Commission,* Vol. III, Q. 18235; Chesney, *op. cit.,* p. 394; Atkinson, *loc. cit.,* pp. 240-51; Curzon, *Speeches,* Vol. II, p. 289, Vol. IV, p. 212; Strachey, *India* (1903), p. 192.

134. Atkinson, *loc. cit.,* pp. 269 and 260. This included ornaments.

silver was mainly used up by coinage, the demand for which had steadily increased over the years due to the necessity of paying land revenue in cash and financing the expanding foreign trade of the country.[135] What was left of the net imports of the precious metals, after providing for coinage, wear and tear, treasury balances, etc., was too paltry to be used as a proof of the advancing prosperity of the people.[136] Even this petty amount was primarily consumed by the upper and middle classes and it seldom trickled down to the poorer sections of the populace.[137] Dadabhai Naoroji further emphasised that gold and silver imports were no net additions to wealth as they were not made to make up for a positive balance of trade. India had an excess of exports over imports after the import of precious metals had already been accounted for by a corresponding export of other goods. These imports were, therefore, more a loss of subsistence than an accumulation of wealth.[138]

As an evidence of India's advancing prosperity, the British Indian authorities rejoiced at the rapid expansion over the years of India's foreign trade, both in value and volume. On the one hand, they argued that only a country growing in wealth

135. Naoroji, *Poverty*, pp. 86-7, *Speeches*, p. 612; Joshi, *op. cit.*, p. 661; Mudholkar in *Indian Politics*, p. 46.

136. Naoroji, *Poverty*, pp. 86-8, *Speeches*, pp. 611-2; Ranade, *Essays*, p. 188; Joshi, *op. cit.*, pp. 660-3; Mudholkar in *Indian Politics*, p. 46; R. C. Dutt, *England and India*, p. 131; Gokhale, *Welby Commission*, Vol. III, Q. 18238; G. S. Iyer, *ibid.*, Q. 18715.

137. Joshi, *op. cit.*, p. 756; Dutt, *England and India*, p. 132; Nundy in *Indian Politics*, p. 112; Gokhale, *Speeches*, p. 16, and *Welby Commission*, Vol. III, Q. 18238.

138. Naoroji, *Poverty*, pp. 88-9. In a brilliant passage, which deserves reproduction, Dadabhai wrote: 'If I give out £20 worth of goods to anybody, and in return get £5 in other goods and £5 in silver, and yet if by so doing, though I have received only £10 worth in all for the £20 I have parted with, I am richer by £5 because I have received £5 in silver, then my richness will be very unenviable indeed. The phenomenon in fact has a delusive effect. Besides not giving due consideration to the above circumstances, the bewilderment of many people at what are called enormous imports of silver in India is like that of a child which, because it can itself be satisfied with a small piece of bread, wonders at a big man eating up a whole loaf, though that loaf may be but a very "scanty subsistence" for the poor big man' (*ibid.*, p. 88). Also see Joshi, *op. cit.*, pp. 755-6; Gokhale, *Welby Commission*, Vol. III, Qs. 18239-43.

would increase its imports of foreign manufactures at a regular and high rate; on the other, they held that increasing exports must be putting more and more money into the pockets of the peasantry.[139] The Indian leaders took a contrary view of this phenomenon. Their approach towards foreign trade is examined in a subsequent chapter. Here, it is sufficient to point out that, according to them, not only was the growth of foreign commerce not a source of gain, but it was instead a major source of national loss, since the little good it did was more than countered by the greater evil of industrial prostration that it produced by displacing the indigenous manufactures. Further, this increase was more an indication of the increasing 'drain' of wealth from India than of growing welfare. Moreover, while its evils were visited upon the Indians, its fruits were enjoyed by the foreigners.[140]

The British Indian administrators pointed to the steadily improving revenues of India, which increased without additional measures of taxation, and congratulated themselves on 'the elasticity exhibited by our main heads of revenue' and 'the steady growth of receipts from those sources which indicate purchasing power and prosperity.'[141] They referred in particular to the growth of revenue from customs duties, post office, salt tax, income tax, stamps and excise taxes as indicating 'an improving margin of wealth and comfort in the country'.[142]

139. John Strachey and Richard Strachey, *op. cit.*, pp. 312, 329; *The Third Decennial Moral and Material Progress Report*, p. 433; Chesney, *op. cit.*, pp. 328, 394; Strachey, *India* (1894), p. 304; Elgin, *Speeches*, pp. 360-1; Curzon, *Speeches*, Vol. I, p. xxv and Vol. II, p. 289; *Financial Statements* for 1901-02 (para 127), for 1902-03 (paras 14-5), for 1903-04 (para 127); *The Fourth Decennial Moral and Material Progress Report*, p. 332; George Hamilton, *Hansard* (Fourth Series), 16 Aug. 1901, Vol. XCIX, cs. 1212-3, and *Indian Debates*, 3 Feb. 1902, c. 110.

140. See Chapter IV below.

141. Curzon, *Speeches*, Vol. II, pp. 449-50. Also see George Hamilton, *Indian Debates*, 3 Feb. 1902, c. 110; *Financial Statements* for 1901-02 (para 104), for 1903-04 (para 35).

142. Curzon, *Speeches*, Vol. II, p. 450. See also *ibid.*, Vol. III, p. 148; Chesney, *op. cit.*, pp. 328, 331; *Financial Statements* for 1901-02 (paras 109-11), for 1902-03 (para 91), for 1903-04 (para 115), for 1904-05 (para 45); *The Fourth Decennial Moral and Material Progress Report*, p. 332. Interestingly, increased

Indians, whose point of view was presented vigorously by G. K. Gokhale in his budget speeches of 1902 and 1903 for which he was applauded by the entire nationalist opinion, were not willing to accept the increase in revenue as an indication of material progress. They looked upon high taxation as a major cause of India's poverty.[143] They also disagreed with the British view regarding the heads of revenue whose growth would be a pointer to improvement in the condition of the people. Increase in excise revenue, they believed, signified the nation's march on the road to intoxication and misery rather than prosperity. It should be condemned by a civilized government instead of being held up for approbation.[144] The increase in customs duties indicated only an expansion of foreign trade, which was, as has been seen earlier, itself condemned. The only two taxes whose yields could serve as an index of the country's material condition were income tax and salt tax—the former in respect of the middle classes and the latter in relation to the masses.[145] The revenue from income tax, it was pointed out, had remained more or less stationary over the years,[146] while the yield from salt tax had not expanded in proportion to the increase in population.[147] This latter fact, pointing to a fall in the per capita consumption of such a basic and essential ingredient of human consumption as salt, was in reality a major witness to the deteriorating condition of the masses.[148]

litigation as indicated by the increase in stamp revenue was also cited as a cause of Indian poverty. See below.

143. See Chapter XI below.

144. See section on Excise in Chapter XI below. Also Gokhale, *Speeches*, p. 17; Malaviya, *Speeches*, pp. 380-1.

145. Gokhale, *Speeches*, p. 17.

146. *Ibid.*, and *Rep. INC* for 1904, pp. 166-7; Malaviya, *Speeches*, p. 381. Moreover, it was pointed out that the extremely low receipts from this tax went to prove the extreme poverty of the country. Nundy in *Indian Politics*, p. 119.

147. Gokhale, *Speeches*, p. 17, and *Rep. INC* for 1904, pp. 166-7.

148. Gokhale, *Speeches*, p. 18; Joshi, *op. cit.*, pp. 200, 227; D. E. Wacha gave in his presidential address to the Congress followng figures: In 1886-87 the consumption per head was 13.9 lbs. and in 1899-1900, 12.7 lbs. *CPA*, p. 603. Also Banerjea in *CPA*, p. 686.

The British Indian authorities referred to the expansion in the area under cultivation and to the increased productivity of land as yet another proof of the growing prosperity of India, as these resulted in larger agricultural incomes and greater availability of food-stuffs in the country.[149] The Indian leaders countered this argument by maintaining that the area under cultivation and the total food supply were not growing in proportion to the increase in population, particularly in the older provinces.[150] Moreover, increase in the cultivated area under food crops had been very meagre compared with the increase in area under commercial crops.[151] The extension of cultivated area was also not commensurate with the increase in export of agricultural products.[152] In any case, this extension had taken place as a result of encroachment upon forests, natural pastures, and fallow lands.[153] Moreover, they held views diametrically opposed to those of the British on the question of improvement in the fertility of land which had, in their opinion, fallen due to the extension of cultivation to inferior soils on 'a non-economic basis' because of the pressure of population on land consequent upon the displacement of indi-

149. *The Third Decennial Moral and Material Progress Report*, p. 433; *The Fourth Decennial Moral and Material Progress Report*, p. 332; Curzon, *Speeches*, Vol. II, pp. 290-1; Atkinson, *op. cit.*, pp. 215-20, 269. Curzon calculated in 1901 that area under cultivation had increased from 194 millions of acres in 1880 to 217 millions of acres in 1898, or 'an increase in virtually the same ratio as the increase in population'. He rested his case for greater availability of food per head on the increase in yield per acre of food crops from 730 lbs. in 1880 to 840 lbs. in 1898. *Speeches*, Vol. II, pp. 290-1. According to Atkinson, per head food production increased from 1.701 lbs. per day in 1875 to 1.739 per day in 1895.

150. Joshi, *op. cit.*, pp. 227, 334, 355, 839; Nundy, in *Indian Politics*, p. 109; Sayani in CPA, p. 363; Wacha in CPA, p. 595; *Sanjivani*, 15 Feb. (RNPBeng., 22 Feb. 1890); Gokhale, *Speeches*, p. 33. Joshi estimated in 1890 that cultivated area had increased by 4.5 million acres in the provinces of Bombay, Madras, N.W.P. and Oudh, Central Provinces and Punjab from 1871-72 to 1888-89, while population in these provinces had increased by at least 11 millions in the same period. The shortfall in cultivated area, therefore, had been of the order of 4.5 million acres (if Sir W. Hunter's estimate of 3/4th of an acre of food crop per head was taken) p. 839.

151. Sayani in CPA, pp. 363-4; Joshi, *op. cit.*, p. 900.

152. Joshi, *op. cit.*, p. 839; Sayani in CPA, p. 363.

153. Joshi, *op. cit.*, pp. 841-3; Nundy in *Indian Politics*, p. 109.

genous manufactures,[154] and due to soil exhaustion brought about by continuous, unmanured cropping.[155] They, therefore, concluded that India was suffering from a severe and continued agricultural depression, which found reflection in repeated famines.[156]

An interesting evidence of the improved condition of the people that the officials offered was the increase in prices, the obvious assumption being that high prices, on the one hand, put more money into the pockets of the cultivating classes and, on the other, reflected the growing demand for food and other consumer goods generated by the increased purchasing power of the masses.[157] To the nationalist economists, this view of the role of high prices was superficial and fallacious. For several years they denied that a general or considerable price rise—as opposed to a partial, local or temporary rise—had taken place in the country.[158] Later on, the fact of a general increase in prices was admitted, but its significance was interpreted differently. They argued that the price rise was not a sign of the higher purchasing power of the masses but a grave symptom of falling national production and declining agriculture.[159] It was moreover the result of the increasing exports of agricultural products and of the influence of high prices in the European markets.[160] In any case, some of them pointed out, the benefit of higher prices was not reaped by the actual producer but was

154. Joshi, *op. cit.*, pp. 832, 835, 841, 844, 852; Nundy in *Indian Politics*, p. 109.

155. Joshi, *op. cit.*, pp. 227, 333, 338, 753; Gokhale, *Speeches*, p. 19.

156. Joshi, *op. cit.*, p. 836; Gokhale, *Speeches*, pp. 18, 32.

157. *The Third Decennial Moral and Material Progress Report*, p. 428; *Report of the Indian Famine Commission*, 1898, para 590; *Financial Statement for 1904-05*, para 67.

158. Naoroji, *Poverty*, pp. 66, 72, 79; Joshi, *op. cit.*, pp. 663, 898; G. S. Iyer, 'Railways in India', in *Indian Politics*, p. 191, *Welby Commission* Vol. III, Q. 18963.

159. Naoroji, *Poverty*, pp. 69, 80; Joshi, *op. cit.*, p. 900.

160. Joshi, *op. cit.*, p. 900; Ray, *Poverty*, pp. 174-5; G. S. Iyer in *Indian Politics*, p. 191, in *HR*, May 1901, p. 352. Both these contentions got remarkable support later from the Dutta *Report of the Committee on Rise in Prices and Wages*, p. 61, and *Imperial Gazetteer of India* (Oxford, 1908), Vol. III, p. 461.

intercepted by the middleman, the moneylender, and the export merchant.[161] They were also quick in pointing out that the wages of agricultural and other labourers, the poorest sections of the population, had not increased *pari passu* with the rise in prices—they had even declined in some cases—and for them, as well as for the petty cultivators, who did not have much surplus to sell and who purchased part of their food requirements, high prices had produced misery not prosperity.[162]

There was, however, one aspect of contemporary Indian economic development, viz., the rise and growth of modern industry and means of transport, which was looked upon with approval, and recognised as a source of economic strength by both sides of the propaganda barricade. But even on this front, the Indian leaders pointed with dismay to the fast proceeding decay of the indigenous industry. The heavy loss caused to the livelihood of the masses by this industrial prostration was not

161. This view was repeatedly stressed by G. S. Iyer in many newspapers and other articles. For a lucid and clear exposition, the following passage from his book *Some Economic Aspects of British Rule in India* stands out: 'The fact is, the profits arising from increased prices are intercepted by middlemen. In most cases, the ryots are unable to choose their own time or conditions in the disposal of their produce. The great majority are so poor that the produce of the land hardly suffices to feed the family for more than some months in the year; the deficiency being made good by wages earned in the village or in the neighbouring town. The ryot cannot, therefore, meet from his produce the requirements of himself and his family as well as the demands of the Government and of the moneylender. For one or the other, often for both purposes, the ryot borrows at a usurious rate of interest; what produce he makes up his mind to sell off, he sells off when the pressure from the Government or the Sowcar is most tight, at prices which are considerably lower than the prices prevailing at certain seasons in the year or in adjacent towns or at the seaports. To the question, who intercepts the profits of the producer from increased prices, the reply is, partly the Sowcar, and partly the middleman who buys the grain from the villager and sells it at a time when the market is dear' (p. 225). Also see, Ray, *Indian Famines*, p. 63; *Hindustani*, 13 Apr. (*RNPN*, 21 Apr. 1892); Gokhale, *Welby Commission*, Vol. III, Q. 18313; *Mahratta*, 16 Nov. 1902; Wacha in *CPA*, p. 601.

162. Naoroji, *Poverty*, pp. 82, 85; Joshi, *op. cit.*, p. 228; Ray, *Poverty*, p. 176, and *Indian Famines*, pp. 62-3; Nundy, *op. cit.*, pp. 119-20; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18963, 19016, in *Indian Politics*, p. 192, *EA*, pp. 223, 225-6, 259; *Mahratta*, 16 Nov. 1902; Wacha in *CPA*, p. 601. Also see Gokhale, *Welby Commission*, Vol. III, Q. 18308.

yet made up in any perceptible manner by the growth of modern machine industry.[163] Moreover, the domination of modern Indian industry by foreign capital took away a great deal from its beneficent results.[164] Nor were the railways, in their opinion, an unmixed blessing.[165]

The Indian leaders scored over the British Indian administration in one respect. Firm in their beliefs, both as regards the extreme poverty of India as well as its worsening nature, they were always willing to stand the test of an open and impartial enquiry 'to reach the bottom of the truth'. As a matter of fact, they made the institution of such an enquiry an integral part of their agitation on the problem of India's poverty. Dadabhai Naoroji demanded it persistently throughout his active political career—in his essays, in the House of Commons, as the President of the Congress, and in his evidence before the Select Committee on East Indian Finance and the Royal Commission on the Administration of the Expenditure of India (the Welby Commission).[166] In 1900, the National Congress put forth the demand for 'a full and independent enquiry into the economic condition of the people';[167] and when in 1901 the Indian Famine Union in England asked for a detailed enquiry into the economic condition of a number of typical villages in India, the Congress gave the proposal its whole-hearted backing.[168] Indian leaders often insisted upon the publication of the results of the Barbour Enquiry of 1882 and the Dufferin Enquiry of 1888, and chided the officials for

163. See Chapter II.
164. See Chapter III.
165. See Chapter V.
166. Naoroji, *Poverty*, pp. 147, 193; *Speeches*, pp. 124-44; in *CPA*, pp. 160-3; *Speeches*, Appendix, pp. 184, 188-9; *Ibid.*, p. 308.
167. Resolution II of the INC for 1900.
168. Resolution IV of the INC for 1902; Resolution XIII of the INC for 1903; Wacha in *CPA*, pp. 566-7, 596-7; *Hindu*, 28 Nov. 1901; *ABP*, 27 Feb. 1902; Gokhale, *Speeches*, p. 20; G. S. Iyer, *EA*, pp. 4, 6; papers covered by the *RNPBeng.* for 22 March 1902; many Indian nationalist newspapers had supported a similar demand in 1897. See *Mahratta*, 28 Feb. 1897; *Advocate*, 23 Feb., *Indian Mirror*, 28 Feb., *Bihar Herald*, 27 Feb. [*Indian Spectator and Voice of India* (hereafter referred to as *ISVOI*), 28 March 1897].

betraying, by withholding such publication, lack of confidence in their own public assertions.[169]

IV. THE CAUSES OF POVERTY

The battle of words on the issue regarding the growing poverty or prosperity of India was waged to exhaustion by both sides. However, though this controversy continued to enliven Indian politics for years, at the most it succeeded in establishing only two propositions: firstly, that the standard of living of the poorer strata of the population was extremely low, so low that it could not perhaps be pushed down any further; and, secondly, that material progress, or retrogression, if any, was taking place at too meagre a rate and within too narrow limits to be scientifically established.[170] In other words, the material condition of India was that of stagnation at a low level of poverty.

169. Resolution III of the INC for 1902; S. N. Banerjea in CPA, pp. 680-1; Gokhale, *Speeches*, p. 20. Also see Wacha in CPA, pp. 589, 595.

170. This was admitted in many official and semi-official pronouncements. See above. The Famine Commissioners of 1898 remarked in a much quoted excerpt: 'There always has existed, and there still does exist, a lower section of the community living a hand-to-mouth existence, with a low standard of comfort, and abnormally sensitive to the effects of inferior harvests and calamities of season. This section is very large and includes the great class of day labourers and the least skilled of the artisans. So far as we have been able to form a general opinion upon a difficult question from the evidence we have heard and the statistics placed before us, the wages of these people have not risen in the last twenty years in due proportion to the rise in prices of their necessaries of life. The experience of the recent famine fails to suggest that this section of the community has shown any large command of resources or any increased power of resistance. Far from contracting, it seems to be gradually widening, particularly in the more congested districts. Its sensitiveness or liability to succumb, instead of diminishing, is possibly becoming more accentuated' (*Report of the Indian Famine Commission*, 1898, para 592). A recent study by an American scholar, George Blyn, 'The Agricultural Crops of India, 1893-94 to 1945-46: A Statistical Study of Output and Trends' unpublished MS, South Asia Regional Studies Department, University of Pennsylvania, 1951, has estimated that output of food crops per year per capita was falling steadily in the period of the study. In the years 1893-94 to 1895-96 it was 587 lbs.; in 1936-37 to 1945-46, it had come down to 399 lbs. Quoted in Thorner, *loc. cit.*, p. 123. Another recent writer has calculated that Indian per capita income from all sources fell by eight per cent during 1896 to 1945. Surendra J. Patel, 'Long Term Changes in Output and Income in India: 1896-1960, *Indian Economic Journal*, Jan. 1958, Vol. V, No. 3.

To the Indian leaders the question of the direction in which the country's economy was moving was of importance mainly because it focussed the attention of the public and the government on the poverty problem, and, at a later date, helped apportion responsibility for it.[171] Their main concern during the major part of the period under study was, however, the removal of the universally accepted, acute poverty of India and not to cry 'over spilt milk'.[172] The foreign rulers as well as the Indian leaders paid greater attention to unravelling and discussing the factors responsible for the acute poverty of the country, since they were conscious of the fact that proper remedial measures could be recommended or undertaken only when the obstacles standing in the path of economic progress had been discovered.[173] Various explanations of the phenomenal poverty of India were offered by the British Indian writers and administrators from time to time. The Indian nationalists, however, invariably rejected these as superficial, inadequate and unsatisfactory.

Quite often the British administrators put the blame for poverty on 'the size and growth of the population' which by rapidly outrunning the means of subsistence made poverty inevitable.[174] 'Above all, what land is exposed to such imminent danger' asked Lord Dufferin in his St. Andrew's Dinner speech

171. Wacha in CPA, p. 598.

172. N. G. Chandavarkar in CPA, p. 512. 'The past had been bad, "bleeding, and degrading"; let the future be good yet—prospering and elevating,' pleaded Dadabhai Naoroji in his statement submitted to the Indian Currency Committee of 1898 (*Poverty*, p. 548). Justice Ranade, on the other hand, had always believed that 'The question of our comparative improvement or decline under Foreign Rule is similarly a question of Antiquarian History. The practical question for us all to lay to heart is not the relative, but the absolute Poverty and the present helplessness of the country generally.' Even he, however, admitted that 'to a certain extent, the historical discussion of the situation is instructive' (*Essays*, p. 182).

173. Joshi, *op. cit.*, p. 770; Malaviya, *Speeches*, pp. 262-3; Dutt, *England and India*, p. 126; Resolution II of the INC for 1900, and the Resolutions of the later Congresses; Wacha in CPA, p. 559; Dutt, *EHI*, p. vi.

174. Curzon, *Speeches*, Vol. III, p. 149. Also *ibid.*, Vol. II, pp. 194, 289; Bengal Government's Summary in the Government of India Resolution of 19th Oct. 1888, *op. cit.*, Appendix A; Chesney, *op. cit.*, p. 395.

in 1888, 'by the overflow of the population of large districts and territories whose inhabitants are yearly multiplying beyond the number which the soil is capable of sustaining?'[175] Interestingly enough, increasing population was also referred to in 1891 as an evidence of the material advancement of the country by Lord Lansdowne, his successor as Viceroy.[176] The Indian leadership rejected this contention in its entirety. They denied that the Indian people were multiplying very fast, or that India was overpopulated, or that the size and growth of its population were responsible for its poverty.[177] The rate of growth of population in India was in reality so small that it spoke 'volumes for the instinctive regard of the people of this country for those prudential restraints on which Malthusian economists lay so much stress, and for which we are fairly entitled to take credit.'[178] In any case, miserable living conditions did not necessarily go together with dense populations, for were not most of the West European countries more thickly populated than India and were yet more wealthy?[179] Nor was a growing population incompatible with increasing wealth since population multiplied much faster in many of the West European countries, including England, than in India and yet their

175. Dufferin, *op. cit.*, pp. 240-1.

176. Lansdowne, *Speeches* (Calcutta), Vol. II, p. 376. Also, *The Third Decennial Moral and Material Progress Report*, pp. 432-3; and George Hamilton, *Hansard* (Fourth Series), 26 July 1900, Vol. XLV, c. 539. This contradiction was duly noted with amusement by the Indians, one of whom was quick in pointing out that 'this increase of population serves the double purpose of acting on certain occasions as a proof of the material advancement of the country, and on other occasions as a reason for the poverty of the country' (Nundy in *Indian Politics*, p. 107).

177. Naoroji, *Poverty*, pp. 216-7, *Speeches*, p. 620; Joshi, *op. cit.*, p. 771; G. S. Iyer, *Rep. INC for* 1900, p. 29; N. G. Chandavarkar in *CPA*, p. 514; S. N. Banerjea in *CPA*, p. 684; Perraju, *Rep. INC for* 1902, p. 75; Dutt, *England and India*, p. 132, *Speeches* I, p. 26, *EHI*, p. vi; *Sadharani*, 27 July (*RNPBeng.*, 2 Aug. 1884); *ABP*, 5 Aug. 1886; *Sanjivani*, 15 Feb. (*RNPBeng.*, 22 Feb. 1890); *Hindu*, 6 July 1898; *Madras Standard*, 5 Aug.; *Swadesamitran*, 5 Aug. (*RNPM*, 10 Aug. 1901).

178. Joshi, *op. cit.*, p. 773. Also Dutt in *CPA*, p. 477; S. N. Banerjea in *CPA*, p. 684.

179. Naoroji, *Speeches*, pp. 325-6, 621; *ABP*, 5 Aug. 1886; Ray, *Poverty*, pp. 168-9.

material welfare also increased instead of decreasing.[180] In a brilliant article, that stands to this day as an outstanding example of contemporary economic analysis, on the 'Economic Situation in India',[181] G. V. Joshi unravelled in 1890 the true nature of India's 'overpopulation'. His starting point was the assumption that 'increase of numbers is *per se* not necessarily or always an evil, as Malthusian writers assert'. But while conceding that 'when a country reaches the limit of its material resources of production and no further development by the application of science, skill, or labour, is possible, such increase constitutes a great evil and will have to be provided against', he was of the opinion that this reasoning was obviously not true in case of underdeveloped countries, like India, 'whose material resources of productive wealth are still awaiting the hand, the skill, and science of man'. In such countries, increase of population could itself be, on the contrary, a major source of wealth 'rather than a curse as Malthusian economists would expect'. The economic history of the two great industrial countries of the world, the United Kingdom and France, was a witness to this phenomenon. The population of the United Kingdom had increased from 15 million in 1806 to 34.6 million in 1882, and yet its national income had skyrocketed from £170 million to £1,247 million during the same period. In France, while population had gone up from 26 million in 1780 to 37.6 million in 1882, the increase in national income was from £160 million to £965 million. Obviously, the Malthusian law of geometrical progression of population as compared with the arithmetical progression of production was held in abeyance in this instance. This was so because 'increase

180. Naoroji, *Poverty*, pp. 620-1, *Speeches*, p. 324; Joshi, *op. cit.*, p. 772; Ray, *Poverty*, p. 197; Dutt, *England and India*, p. 132, *Open Letters*, p. 17; N. G. Chandavarkar in CPA, pp. 514-5; S. N. Banerjea in CPA, p. 684; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18648-9, *Rep. INC for 1900*, p. 29; *Hindu*, 6 July 1898; *Sanjivani*, 15 Feb. (*RNPBeng.*, 22 Feb. 1900); *Kesari*, 31 March (*RNPBom.*, 4 Apr. 1903); N. Srinivasachariar, *Rep. INC for 1903*, p. 66.

181. Published in the January and October 1890 issues of the *Journal of the Poona Sarvajanik Sabha* and reproduced in his *Speeches and Writings*.

of population in this case means increase of productive labour, and such increase, when accompanied by the growth of conditions which make labour and capital more efficient, ought to lead to increase of production'. In India too, increase of population ought to be, because of her unlimited and untapped natural resources, a source of economic growth. The conclusion was, therefore, obvious. So far as India was concerned, the source of mischief lay '*not so much in the fact of an alleged overpopulation as in the admitted and patent evil of underproduction*'.[182] The issue was further clarified and clinched by G. V. Joshi in the following passage:

> There is always a normal ratio between population and production which determines the average standard of life of every community. When both population and production advance at an equal and normal rate, the ratio is maintained and there is no disturbance of the national standard of living. When, however, population multiplies at an abnormal rate while production keeps up its normal level, there is properly speaking the evil of *overpopulation*. But when production falls off while population is advancing at its normal rate, we have what we may call the evil of *underproduction*. The capitalist Political Economy of the West, looking only to one term of the ratio, confounds the two evils—in their nature so different, and styles them as *overpopulation* in either case. In India, as we have seen before, population is not increasing beyond its normal rate, and if the total production of the country does not come up to the level of its requirements, where there is such a wealth of material resources, we have clearly not what Political Economists call the evil of *overpopulation* to deal with, but the evil of *underproduction*, which they do not recognise.[183]

182. Joshi, *op. cit.*, pp. 773-5 (emphasis added).

183. *Ibid.*, pp. 774-5. The same idea had been put forth, though rather incoherently, by the *Amrita Bazar Patrika*, a few years earlier on 5 Aug. 1886; 'It has been proved that in any given state of civilization, agricultural or otherwise, a greater number of people can, within certain broad limits, be collectively better provided than a smaller.' Also see Naoroji, *Speeches*, p. 391: 'Let them (the British) withdraw their hand from India's throat, and then see whether the increase in population is not an addition

Further, if population was increasing the result need not be growing poverty, for it could and should be countered with faster industrialisation. 'The question of providing bread for the growing population of this country is no doubt a pressing and serious one at the present moment, but to our thinking, more serious and more pressing is the question of providing adequate work for our growing workers.'[184] This position was indirectly adopted by the entire Indian leadership when it went out of its way to assert that Indian agriculture was indeed overcrowded, but this was the result not of overpopulation but of the unplanned and forced destruction of India's indigenous industry, which was itself a product of British supremacy in India.[185] 'To talk of overpopulation at present is just as reasonable as to cut off a man's hands, and then to taunt him that he was not able to maintain himself or move his hands.'[186] In these circumstances, it was said, the theory of overpopulation was a mere attempt 'to divert public attention from the real issues' and added 'a distressful insult to agonising injury'.[187]

Another stock official explanation of poverty was the general thriftlessness and extravagance of the Indian people, which found expression in their propensity to spend recklessly on marriages and other social functions.[188] 'The absence of thrift', stated the Resolution on the Economic Enquiry of 1888, 'is a very prominent characteristic of the people... the prevailing custom of extravagant expenditure on marriages and other ceremonies appears in every report.'[189] The tendency of the

to its strength and production instead of British-made famines and poverty. Also see G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18733-6.

184. Joshi, *op. cit.*, p. 852. Also Ranade, *Essays*, p. 207; Wacha in CPA, p. 600.

185. See Chapter II.

186. Naoroji, *Poverty*, p. 217.

187. P. C. Ray, *Indian Famines* (Calcutta, 1901), p. 35 and Naoroji, *Poverty*, p. 217, respectively.

188. Dufferin, *Speeches*, p. 240; *Third Decennial Moral and Material Progress Report*, p. 434; *Fourth Decennial Moral and Material Progress Report*, p. 354; Curzon, *Speeches*, Vol. III, p. 149; *Resolution of the Govt. of India, No. 1, dated the 16th January* 1902 (Cal., 1902), para 31.

189. Resolution of the Govt. of India, dated 19th Oct. 1888, *op. cit.*, Appendix A.

ryots to take frequent recourse to law courts was also stated to be an expression of the same prodigality.[190] It was also held sometimes that the Indian peasants and labourers could not but be poor as they were spiritless and ignorant and hopeless workers.[191] The Indian leadership vehemently denied that the Indian ryot was improvident or that thriftlessness was a fault basic to Indian national character. On the contrary, there was 'not a more abstemious, a more thrifty, a more frugal race of peasantry on earth.'[192] As far as marriage and other similar expenses were concerned, they were, in reality, small and occasions for them arose but rarely;[193] they could not, under the circumstances, be a source of the ryot's poverty.[194] In any case, were not the Indian masses entitled to some moments of brightness and joy, or did they have 'no right or business to have any advancement in civilisation, in life and life's enjoyments, physical, moral, mental and social? Must they always live to the brute's level—must have no social expenses—is that all extravagance, stupidity, want of intelligence, and what

190. Curzon, *Speeches*, Vol. II, p. 166; Resolution of the Govt. of India, dated 16th Jan. 1902, *op. cit.*, para 31.

191. Resolution of the Govt. of India, dated 19th Oct. 1888, *op. cit.*, Appendix A.

192. Dutt, *EHI*, p. vi. Also Ranade, 'Land Law Reform and Agricultural Banks', *JPSS*, Oct. 1881 (Vol. IV, No. 2), p. 55 (We have G. A. Mankar's authority that the article was penned by Ranade. See his *A Sketch of the Life and Works of the late Mr. Justice M. G. Ranade*, 2 Vols., Bombay, 1902, Vol. I, p. 215); Joshi, *op. cit.*, p. 778; Ray, *Poverty*, pp. 194-5; *P. Mehta, Speeches*, pp. 663-4; N. G. Chandavarkar in *CPA*, p. 516; Dutt in *CPA*, p. 478, 480, *Open Letters*, p. 17, *EHII*, p. xiii; N. K. N. Iyer, *Rep. INC for* 1901, p. 140; Sri Ram, *LCP*, 1902, Vol. XLI, pp. 146-7; *S.* N. Banerjea in *CPA*, pp. 684-5; J. Benjamin, *Rep. INC for* 1904, p. 128.

193. In the case of an average ryot 'a few new earthenware, a few wild flowers, the village tom-tom, a stomach-full meal, bad areca-nut and betel-leaves and a few stalks of cheap tobacco, and in some cases a few cheap tawdry trinkets, exhaust the joys of a festive occasion in the life of a household which has known only an unbroken period of unshrinking labour from morn to sunset' (*P.* Mehta, *Speeches*, p. 663). 'The Indian ryot has no festival at all. He toils from morn to evening, without a single holiday throughout the year' (*ABP*, 2 Aug. 1901).

194. Naoroji, *Speeches*, p. 619; *Swadesamitran*, 3 Apr. (*RNPM*, 30 Apr. 1897); Nundy in *Indian Politics*, p. 117; *P.* Mehta, *Speeches*, p. 663; G. S. Iyer, *EA*, p. 14; N. G. Chandavarkar in *CPA*, p. 516; *S.* N. Banerjea in *CPA*, pp. 684-5.

not?'[195] Looking at the problem from a different angle, and with his usual insight, G. V. Joshi observed that living beyond one's means was, like overpopulation, a relative concept. It could mean either spending more than what one earned, or earning less than what one needed. 'If our earning power is so low as at present and our income hardly ever comes up to the level of our necessary expenditure, the evil does not lie in our over-spending propensities, but in those conditions of industrial life in this country which keep our earning so low.'[196] The Indian leadership also observed that the Indian ryot was not more fond of festivals and celebrations than his counterpart in other countries.[197] Similarly, the ryot could not also be accused of indolence; he was one of the most industrious and hard-working of workers in the world.[198] Moreover, to the extent that improvidence, ignorance, and lack of spirit were to be found in the ryot, they were not the causes but the results of unsound economic arrangements which offered him no incentive or opportunity to improve, as might be seen from a study of the transformation that occurred in the habits and nature of the French peasant at the end of the 18th century after the abolition of feudalism.[199] It must, however, be noted that in a different context—not as an excuse for poverty but as a social evil which stood in the path of India's uplift—the Indian leaders were quite anxious to condemn extravagant social expenditure and often preached self-restraint.[200] So far as the

195. Naoroji, *Speeches*, p. 312. Also *ibid.*, p. 619; P. Mehta, *Speeches*, p. 664; N. G. Chandavarkar in CPA, p. 516.

196. Joshi, *op. cit.*, p. 775. Also Wacha, *Rep. INC for* 1886, p. 61.

197. Naoroji, *Poverty*, pp. 87-8; N. G. Chandavarkar in CPA, p. 515; *Swadesamitran*, 3 Apr. (*RNPM*, 30 Apr. 1897); *Madras Standard*, 5 Aug. and *Swadesamitran*, 5 Aug. (*RNPM*, 10 Aug. 1901).

198. Ranade, 'Land Law Reform and Agricultural Banks', *loc. cit.*, p. 55; Naoroji, *Essays*, p. 368; Joshi, *op. cit.*, p. 773; C. Sankaran Nair in CPA, p. 384; N. G. Chandavarkar in CPA, p. 521; N. K. N. Iyer, *Rep. INC for* 1901, pp. 140-1; Dutt, *EHII*, pp. xiii, 611.

199. Ranade, *Essays*, pp. 52-3, 256; Joshi, *op. cit.*, pp. 347, 362, 852, 870, 905; Ray, *Poverty*, p. 190.

200. Ranade, *Essays*, p. 326; Joshi, *op. cit.*, p. 852; Ray, *Poverty*, p. 191; G. S. Iyer, EA, p. 78; *Bengalee*, 24 May 1901; HR, Apr. (RNPN, 31 May 1902).

action of the courts in impoverishing the ryot was concerned, the nationalists, while alleging that the courts were a product of the British regime itself, actively supported their replacement by conciliation courts or by a revival of the old *panchayat* system.[201]

The Indian leaders also controverted the view that the moneylender with his ruinous rates of interest was the real bane of the Indian countryside and an important cause of India's poverty.[202] Their view is examined in detail in Chapter X of this work. In brief, they held that the moneylender was a secondary and not a causative factor responsible for ryot's poor condition; he was the result, not the cause, of ryot's poverty, since only the already impoverished went to him for help.

When, at the end of the 19th century, India was repeatedly ravaged by disastrous famines, which shocked the conscience of the whole world and, as has been seen earlier, brought the problem of poverty to the forefront of Indian politics, the causes of poverty got inexorably mixed up with the origins of the famines. While the British Indian authorities blamed the famines for the misery and material losses occurring during the years of famine and after, the nationalists held poverty of the people itself responsible for the famines, their frequency, intensity and destructive nature. The question, therefore, arose as to what led to famines? According to Lord Curzon, who undertook to provide an answer in 1900 in his usually vigorous fashion, the real source of the recurring famines was failure

201. *ABP*, 24 Dec. 1874, 17 July 1884, 31 Jan. 1892, 2 Jan. 1901; Ganesh W. Joshi, *JPSS*, July 1879 (Vol. II, No. 1), p. 80; Resolution passed by a public meeting at Poona on 4 May 1879, *ibid.*, p. 84; Ranade, 'Deccan Agriculturists Bill', *JPSS*, Oct. 1879 (Vol. II, No. 2), p. 55 (Cf. Mankar, *op. cit.*, Vol. I, p. 214), 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 43-4, L. M. Ghose, *Speeches*, p. 88; *Hindu*, 26 Nov. 1885; *Bengalee*, 12 March 1892; Ray, *Poverty*, pp. 195, 236; N. G. Chandavarkar in *CPA*, pp. 518-9; Dutt in *CPA*, p. 493, *England and India*, pp. 147-8, *Speeches* I, pp. 14, 27, *EHI*, p. xx; G. S. Iyer, *Rep. INC for 1900*, p. 29.

202. For British view, see Dufferin, *Speeches*, p. 240; Chesney, *op. cit.*, p. 395; Curzon, *Speeches*, Vol. II, p. 166; Letter from Sir Antony Macdonnell, President of the Famine Commission of 1901, to Digby, quoted in the latter's book, *op. cit.*, p. 323.

of rains and the consequent loss of crops. He argued that if the huge losses of agricultural production, which were the inevitable results of 'a great Indian drought', were kept in view, it would become clear that no government could control the skies or take any steps 'to anticipate the consequences of a visitation of nature on so gigantic and ruinous a scale.'[203] By 1902, the Viceroy and Governor-General of India had become even more convinced that Indian famines were like an act of God which the hand of man could do nothing to stay or deflect:

> But to ask any Government to prevent the occurrence of famine in a country, the meteorological conditions of which are what they are here and the population of which is growing at its present rate, is to ask us to wrest the keys of the universe from the hands of the Almighty.... in the autumn of the past year, it was by the dispensation of Providence alone, when the monsoon suddenly revived... that what might have been famine conditions were turned into prosperity conditions during the present winter. The best Government in the world could not have accelerated that change by a single second; the worst Government could not have retarded it.[204]

Famines had always been endemic in India and would remain so for an immeasurable distance of time to come; the utmost that a humane government could do was to mitigate their severity and extent.[205]

The nationalist opinion, on the other hand, held that Indian famines were the product not of the caprice of nature but of

203. Curzon, *Speeches*, Vol. I, pp. 313-4. 'When the vast majority of the inhabitants of a country are dependent upon an industry which is itself dependent upon the rainfall, it is clear that a failure of the latter must unfavourably, and in extreme cases calamitously, affect the entire agricultural community.' Government of India Resolution of 16th January, 1902, *op. cit.*, para 3. Also *Fourth Decennial Moral and Material Progress Report*, p. 332.

204. Curzon, *Speeches*, Vol. III, p. 160. Also see Elgin, *Speeches*, p. 345; George Hamilton, *Indian Debates*, 3 Feb. 1902, cs. 108-09; Strachey, *India* (1903), p. 210.

205. Curzon, *Speeches*, Vol. III, pp. 160-1.

human failings and were, therefore, preventible.[206] It admitted that the immediate cause of famines was failure of rains.[207] But to stop at this stage of explanation was not enough. Insufficiency of rains did not fully explain famines, since nature itself could be brought under control through scientific endeavour in the form of irrigation, etc.[208] And, what was more important, why should a single failure of crops in one particular part of the country result in a famine in the days of rapid and fast means of transport?[209] After all, crops had seldom failed simultaneously all over the country, and there had never been a year when the total food supply of India was insufficient for the total population of India.[210] Moreover, many of the European countries also suffered from droughts, yet they 'invariably escape from the terrible grip of this fell scourge'.[211] England did not starve, even when in normal years it produced barely 50 per cent of its food requirements.[212] In

206. Dutt, *Speeches II*, p. 56; Naoroji, *Poverty*, p. 665. Also, 'however unkind Nature may be, and however harvests may be deficient owing to the inadequacy of the rainfall, famine itself, that is, the condition of destitution and suffering to which masses of people are reduced by drought, was preventible.' Wacha in *CPA*, pp. 556-7. Also see R. M. Sayani, *LCP*, 1897, Vol. XXXVI, p. 191; N. K. N. Iyer, *Rep. INC for* 1901, p. 139.

207. Joshi, *op. cit.*, pp. 346, 853; Tilak quoted in Pradhan and Bhagwat, *op. cit.*, p. 102; N. G. Chandavarkar in *CPA*, p. 514; Dutt, *Open Letters*, p. 18; Ray, *Famines*, p. 24; N. K. Ramaswamy Iyer, *Rep. INC for* 1901, p. 134; *Kesari*, 25 Dec. (*RNPBom.*, 29 Dec. 1900).

208. Joshi, *op. cit.*, pp. 346, 869; *Hindu*, 2 Apr. 1900; Ramaswamy Iyer, *Rep. INC for* 1901, p. 134; Dutt, *Open Letters*, p. 18.

209. *ABP*, 1 March 1897; Mudholkar, *op. cit.*, p. 33; Resol. XII of the *INC* for 1896, Resol. II of the INC for 1900, and Resol. III of the INC for 1892; Dutt, *EHI*, p. vii; Ray, *Famines*, pp. 29-30.

210. Dutt, *EHI*, p. vii; *Kesari*, 10 Apr. (*RNPBom.*, 14 Apr. 1900); *Madras Standard*, 5 Aug., *Swadesamitran*, 5 Aug (*RNPM*, 10 Aug. 1901); Wacha in *CPA*, p. 557. Cf., 'The supply of food is almost the least of the difficulties with which the Indian Government have to contend. There is always a sufficiency of food in the great continent of India even in years of drought.' George Hamilton, Secretary of State for India, in the House of Commons, 26 July 1900, *Hansard* (Fourth Series), Vol. LXXXVI, c. 1346.

211. Ray, *Famines*, p. 78. Also see N. G. Chandavarkar in *CPA*, p. 514; Sri Ram, *LCP*, 1901, Vol. XL, p. 238, and *LCP*, 1902, Vol. XLI, p. 147; *ABP*, 13 Nov. 1901; S. N. Banerjea in *CPA*, p. 683; *Kesari*, 21 July (*RNPBom.*, 25 July 1903).

212. G. S. Iyer, *Rep. INC for* 1900, p. 31; Naoroji, *Poverty*, p. 656; Wacha in *CPA*, p. 559.

the case of India also foodgrains could have been, in the normal course of things, either imported from abroad or transferred from the surplus to the deficit areas within the country.[213] The fact that neither of these two possibilities could be realised went only to show that Indian famines were due to the lack of means to purchase the available supply of food stuffs and not to the failure of crops; they were famines of money and not of food.[214] If the Indians did not have the stamina to bear the strain of a single failure of the monsoons, it only went to establish their utter poverty.[215] The root and clear cause of famines in India was, therefore, the poverty that stalked the land.[216] It was the 'decreasing power of resistance', the utter lack of staying power which determined the intensity of a famine or the extent to which failure of crops would mean wholesale starvation.[217] Failure of crops did not cause poverty, it was poverty which transformed scarcity into famines.[218]

213. Naoroji, *Poverty*, p. 656, and *Speeches*, p. 237; Ray, *Famines*, p. 32; Dutt, *EHI*, p. vii, and *EHII*, p. vi; Banerjea in *CPA*, pp. 683-4.

214. 'It is not *scarcity of food*, but *inability to purchase food on account of poverty*, which really constitutes what is called an Indian famine' (*ABP*, 22 May 1892). Also *Dnyan Prakash*, 16 Jan. (*RNPBom.*, 18 Jan. 1879); *Som Prakash*, 1 Dec. (*RNPBeng.*, 6 Dec. 1884); *Mahratta*, 29 March 1891; Mudholkar, *op. cit.*, p. 38; Naoroji, *Poverty*, p. 656; *Kesari*, 3 Apr. (*RNPBom.*, 7 Apr. 1900); Ray, *Famines*, p. 31; Wacha in *CPA*, p. 557; Sri Ram, *LCP*, 1901, Vol. XL, p. 238; M. K. Patel, *Rep. INC for* 1902, p. 76; *Bengalee*, 9 March 1902.

215. Gokhale, *Welby Commission*, Vol. III, Qs. 18314-8; *Bharat Jiwan*, 25 July (*RNPN*, 3 Aug. 1898); Tilak, *Rep. INC for* 1900, p. 36; Banerjea in *CPA*, p. 684; *Kesari*, 25 Dec. (*RNPBom.*, 29 Dec. 1900); Sri Ram, *LCP*, 1902, Vol. XLI, p. 147.

216. Resol. XII of the INC for 1896, Resol. IX of the INC for 1897, and Resol. VIII of the INC for 1901; C. Sankaran Nair in *CPA*, p. 383; G. S. Iyer, *Rep. INC for* 1900, p. 29; N. K. N. Iyer, *Rep. INC for* 1901, p. 140; Ray, *Famines*, p. 29; Naoroji, *Speeches*, p. 251; S. N. Banerjea in *CPA*, p. 683.

217. Joshi, *op. cit.*, p. 152; Resol. XII of the INC for 1896; Mudholkar, *op. cit.*, p. 33; Resol. II of the INC for 1900; Chandavarkar in *CPA*, p. 514; Wacha in *CPA*, p. 560; Dutt, *Open Letters*, p. 18; Ramaswamy Iyer, *Rep. INC for* 1901, p. 134; *Kaiser-i-Hind*, 22 Sept. (*RNPBom.*, 28 Sept. 1901).

218. 'The people were always underfed, even in good years, and consequently when bad years came, they more readily succumb' (Naoroji, *Poverty*, p. 656). Also: 'The failure of rains destroys crops in particular areas; it is the poverty of the people which brings on severe famines' (Dutt, *EHII*, p. vi).

Looked at from another angle, failure of crops merely brought out Indian poverty into sharp focus.[219]

The Indian leadership further maintained that nature could in no case be held responsible for the poverty of India. The country was very well endowed by nature. It possessed 'a wealth of material resources which is inexhaustible, unsurpassed, if not unequalled', and was placed 'under the blessings of Providence in circumstances the most favourable to material progress.'[220] This only added a certain amount of pungency to the problem, for 'if the country be rich, why are its people poor?'[221]

Having rejected the explanations offered by the British as superficial and biased, the nationalists set out to seek the 'true' causes of Indian poverty. Underlying this search was the firmly-held notion that this poverty was not inherent and unavoidable but man-made and, therefore, capable of being explained and removed.[222] India was poor as a result of cer-

219. See above.

220. Joshi, *op. cit.*, p. 752. 'Endowed with a fertile soil, a good geographical situation and every variety of climate suitable for the purposes of production, possessing mineral resources of a high order, with a thrifty, sober, peaceful and industrious population, this country enjoys exceptional advantages for the creation and accumulation of wealth, and there is no reason why under favourable influences it should not acquire that pre-eminence in opulence which not only poets but historians and contemporary writers assigned to it in former times' (Mudholkar, *op. cit.*, p. 35). G. S. Iyer pointed out to the 18th Congress that one of the prerequisites of riches India possessed was a large market which could absorb all possible manufactures and agricultural products. *Rep. INC for* 1902, p. 72. Also Naoroji, *Poverty*, p. 40; C. Sankaran Nair in CPA, p. 384; Dutt, *Speeches II*, p. 37, *EHII*, p. 611; N. K. N. Iyer, *Rep. INC for* 1901, pp. 140-1; G. S. Iyer, EA, Appendix, p. 3.

221. John Adam, 'The Permanent Settlement Question', in *Indian Politics*, p. 89. This paradox was perhaps first expressed by John Strachey in the *Financial Statement for* 1878-9 (para 52).

222. 'The study of the history of our own country illustrates in a striking manner the great truth, that miserable and degraded as we are, our degradation has followed upon a chain of sequences, every link of which is explicable, that the iron hand of fate has not been upon us, that we have not been made the hopeless victims of unprecedented calamities, and that whereas circumstances have wholly controlled our destinies, we might, if we chose, have partially controlled those circumstances, and thus have changed the face of India, and perhaps of the world at large' (S. N. Banerjea,

tain economic factors which could, consequently, be discovered, discussed, and controlled.[223] Here was a basic difference between the two approaches, that of the rulers and of the ruled, to the problem. As has been brought out above, the causes of Indian poverty advanced by the British Indian administrators were either the results of the inexorable working of nature and, hence, irremediable, at least in the short run, or the products of the Indian people's own social or economic failings which could be cured, if at all, in the main by the Indians themselves.[224] In either case, not much responsibility for the existence or the removal of Indian poverty could rest on the rulers.[225] The Indian leaders, on the other hand, underlined as the genesis of India's poverty factors and forces which, they held, had been precipitated, let loose, or deliberately brought into play by the British through their acts of omission and commission and which could accordingly be reversed primarily through changes in the administrative policies.[226] Thus, by a

Speeches I, p. 26). The *Amrita Bazar Patrika* wrote in its issue of 15 Aug. 1886: 'The real cause of poverty and misery in India is the avarice of man, not the niggardliness of God'. See also Dutt, *EHI*, p. xiii.

223. 'Economic laws are the same in Asia as in Europe. If India is poor to-day, it is through the operation of economic causes.... Economic laws are constant and unvarying in their operation' (Dutt, *EHII*, pp. xvi-xvii). Also see his *England and India*, p. 144, *Speeches II*, p. 63, *EHI*, pp. vii, xiii-xiv; and Wacha in *CPA*, p. 560. To anticipate a little, the causes advanced most often by the Indian leaders for the poverty of India were the destruction of India's indigenous industry and the consequent ruralization of the country, the heavy land revenue demand from the ryot, expensive administration and the resultant high taxation, and the 'drain' of wealth from India to England.

224. In Dec. 1900, Lord Curzon advised the members of the Madras Mahajan Sabha to devote their efforts to saving the ryot from the sowcar and the law-courts instead of criticising the Government. Curzon, *Speeches*, Vol. II, p. 166. Also see Dufferin, *Speeches*, pp. 241-2.

225. The Land Revenue Resolution of 1902 warned the observers against carrying away 'a most distorted impression both of the malady which he has set himself to diagnose, and of *the remedies which it is in the power or is the duty of Government to apply*' (Emphasis added—*op. cit.*, para 31).

226. Resol. III of the INC for 1891. The Resolution concluded by entreating 'the people of Great Britain and Ireland not to permit any further sacrifice of life by *the shortcomings of the existing, doubtless well-intentioned, but none the less unsatisfactory administration*' (Emphasis added). In seconding the Resolution, Madan Mohan Malaviya stressed that 'In this

strange irony of history, it came to pass that the scientifically advanced West stressed the fatalistic concept of the inevitable sway of nature and the existing social forces, and the backward East emphasised man's capacity to control and direct nature and society!

It was during the quest for the causes responsible for the poverty of the Indian masses and the subsequent search for remedies that the Indian leaders framed various important economic issues, upon which they were to concentrate their fire of investigation, discussion, and agitation, and eventually evolved their economic policies and attitudes and their understanding of the nature and economic mechanism of British imperialism in India. In the course of the struggle for eradication of poverty and implementation of their economic policies, their political understanding took shape. This process of evolution we will examine in the chapters to follow. It should, however, be remembered all the while that the problem of poverty provided the constant backdrop to all their later economic investigations, controversies, and propaganda.

resolution we deal with the causes for which the Government is mainly responsible, and we point out the remedies which the Government can directly apply, if it chooses to do so, and which it is the plainest duty of the Government to apply, if it cares to call itself a civilised Government' (Malaviya, *Speeches*, p. 229). Also see, for example, Naoroji, *Poverty*, pp. 216-7, *Speeches*, pp. 225, 228, 396, Appendix, pp. 17, 78, *Essays*, p. 368; Joshi *op. cit.*, pp. 785-6, 818; Resol. IX of the INC for 1892; C. Sankaran Nair in CPA, p. 384; Dutt, *England and India*, p. 144, *Speeches II*, p. 37, *EHII*, pp. 611-12, 614 (this is in fact the spirit that permeates the Prefaces to both the volumes of his *Economic History*); G. S. Iyer, *Welby Commission*, Vol. III, Q. 18644, EA, p. 3; Nundy in *Indian Politics*, p. 134; Tilak, *Rep. INC for* 1900, p. 36, and quoted in Pradhan and Bhagwat, *op. cit.*, pp. 102, 143-4; Wacha in CPA, p. 626; N. Srinivasavaradachariar, *Rep. INC for* 1903, p. 66. *The Bengalee* of 9 March 1902 remarked: 'Government, naturally enough, is unwilling to accept the explanation given of famines by the national party; for an acceptance of it would mean a recasting of the whole system of administration upon lines which would run counter to the principle of India for the English and then for the Indians.'

CHAPTER II

Industry, I

> The vast majority of them (Indians) have been trained to agriculture, are only physically fitted for agriculture, and will never practise anything but agriculture.
>
> — LORD CURZON

> It had been the settled policy of England in India ever since her rise in political power, to convert India into a land of raw produce for the benefit of the manufacturers and operatives of England.
>
> — SURENDRANATH BANERJEA

I. DECLINE OF INDIGENOUS INDUSTRIES

One of the most momentous consequences of the establishment of British supremacy in India was the disruption of the centuries' old 'union between agriculture and manufacturing industry' as a result of the progressive decline and destruction of the Indian town handicrafts and village artisan industries.[1] '... up to the 18th century, the economic condition of India was relatively advanced, and Indian methods of production and of industrial and commercial organisation could stand comparison with those in vogue in any other part of the world.'[2] By the end of the 19th century, however, most of the indigenous industries of India had either decayed beyond recovery or were on the road to ultimate ruin, while the

1. The decline of Indian handicrafts has been traced in innumerable books on Indian economic history. Easy reference can be made to D. R. Gadgil, *The Industrial Evolution of India in Recent Times* (Calcutta, Reprint of 4th edition in 1942), Chapters III and XII; R. Chaudhuri, *The Evolution of Indian Industries* (Calcutta, 1939), Chapter I; and B. D. Basu, *The Ruin of Indian Trade and Industries* (Calcutta, 1935).

2. Vera Anstey, *The Economic Development of India* (London, 3rd edition), p. 5.

modern industry was yet to reach considerable proportions.[3]

To the early Indian national leaders India's major economic problem was the condition of its industry; and the explanation of India's poverty most commonly advanced by them was the industrial prostration resulting from the destruction of the indigenous industries and the failure of the modern machine industry to grow rapidly enough to compensate adequately for this destruction.[4] Day after day Indian publicists hammered incessantly at this theme and bemoaned continuously the decline of this or that industry.[5] They pointed out, while tracing the historical process of this decline, that India was once a

3. Gadgil, *op. cit.*, Chapters III, XII and p. xxii; Anstey, *op. cit.*, pp. 5, 207.

4. The Indian National Congress at its Calcutta session of 1901 represented that one of the major causes of 'the great poverty of the Indian people' was 'the decline of all indigenous arts and industries'. (Resol. III). Joshi held in 1885 that 'The fast-proceeding decay—we might almost say, the rapid collapse—of our varied manufacturing industry... is at the root of this deplorable state of things' (*op. cit.*, p. 738). R. N. Mudholkar pointed out to the Congress of 1896 that 'This deep-seated and widespread poverty is the result of the utter decadence—almost the total extinction—of our ancient arts and industries' (*Rep. INC for* 1896, p. 157). Bholonath Chandra had written in 1876: 'The improvements, or the new arts and industries which have been introduced, are largely outweighted by the many serious damages sustained. It is small consolation for our nation, to be a gainer by thousands, but a loser by millions' (*MM*, Vol. V, p. 5). There are innumerable similar references in the nationalist writings and speeches of the period. For example, see: *Education Gazette*, 2 May (*RNPBeng.*, 10 May 1883); Joshi, *op. cit.*, pp. 652, 753, 778-9, 802-4; *Charu Varta*, 9 Feb. (*RNPBeng.*, 14 Feb. 1885); Wacha, *Rep. INC for* 1886, p. 64; *Burdwan Sanjivani*, 29 Nov. (*ibid.*, 10 Dec. 1887); Sheik Kadir Baksh, *Rep. INC for* 1887, p. 142; *Punjabi Akhbar*, 21 Aug. (*RNPP*, 31 Aug. 1889); *Khair-Andesh*, 13 Oct. (*ibid.*, 19 Oct. 1889); Ray, *Poverty*, p. 85; *Nizam-ul-Mulk*, 16 Jan. (*RNPN*, 20 Jan. 1897); *Bharat Jiwan*, 29 Nov. (*ibid.*, 1 Dec. 1897); Nundy, *loc. cit.*, p. 122; Dutt in *CPA*, p. 489; *Vritanta Chintamani*, 15 March, (*RNPM*, 15 March 1900); *Hindustan*, 13 April (*RNPN*, 17 April 1900); *Swadesamitran*, 28 April (*RNPM*, 30 April 1900); *Kesari*, 8 May (*RNPBom.*, 12 May 1900); *Mahratta*, 11 Nov. 1900; *Madras Standard*, 21 Jan. (*RNPM*, 25 Jan. 1902); Resols. III and III of INC for 1902 and 1904; N. K. Ramaswamy Iyer, *Rep. INC for* 1901, p. 137; M. K. Patel, *Rep. INC for* 1902, p. 77; G. S. Iyer, *EA*, pp. 218, 247; Gokhale, *Speeches*, p. 52; Dutt, *EHII*, p. 345, and in *CPA*, p. 469; *Bengalee*, 12 March 1902.

5. See, for example, *ABP*, 5 Aug. 1872; Bholonath Chandra, *MM*, Vol. V (1876), p. 5; Joshi, *op. cit.*, pp. 227, 780; Gokhale, *Speeches*, p. 52. R. C. Dutt in his two-volume *Economic History of India* and in innumerable articles in various contemporary journals dealt exhaustively with this process. P. C. Ray too, in his *The Poverty Problem of India*, dealt at length with it.

great manufacturing nation whose industrial products had supplied for centuries the needs of vast Asian and European markets,[6] and that spinning and weaving and other handicrafts had provided whole-time or part-time employment to millions of men and women.[7] But all this had gradually disappeared with the advent of the British and India had lost not only its foreign markets but also its internal markets, and had started importing foreign manufactures on an equally large scale,[8] with the result that 'India, fifty years ago, clothed herself with her own Manufactures, and now she is clothed by her distant masters. The same is the case with Wool, Silk and other Textiles, with Oils and Hides.... This is our condition, and when the whole situation is thus taken in at one view, we feel that we are standing on the edge of a precipice, and the slightest push down will drive us into the abyss below of unmixed and absolute helplessness.'[9] To R. C. Dutt, this displacement of Indian manufactures by foreign products formed 'one of the saddest chapters in the history of British India,'[10] for it indicated that 'the sources of wealth in India have been narrowed' and the livelihood of people had been made more precarious.[11] The Indian leaders maintained that this disruption of the balance between the agricultural and industrial sectors of the economy and the consequent industrial depression not only destroyed a very important source of national income but also deprived millions of workers of their traditional occupations and forced them to fall back, in the absence of other avenues of employment, more and more upon agriculture, the one

6. Dutt, *Speeches II*, p. 106; Nundy, *loc. cit.*, p. 122; S. N. Banerjea in *CPA*, pp. 691-2; G. S. Iyer, *EA*, Chapters XVI and XVII.

7. Dutt, *EHI*, p. 256.

8. For figures of Indian cotton piece-goods exports to Britain, see Dutt, *EHI*, p. 295, *EHII*, p. 108. For figures of imports of textiles into India see Dutt, *EHI*, p. 257, *EHII*, p. 108. Also S. N. Banerjea in *CPA*, pp. 692-3.

9. Ranade, *Essays*, p. 185.

10. Dutt, *England and India*, p. 128.

11. Dutt, *EHI*, pp. vii-viii. Also see, K. C. A. Chowdhury, *Rep. INC for* 1886, p. 64; Joshi, *op. cit.* p. 785; Ranade, *Essays*, p. 185; Ray, *Poverty*, p. 93; Mudholkar, *Rep. INC for* 1898, p. 121; Dutt, *EHI*, p. viii; Gokhale, *Speeches*, p. 52.

remaining source of subsistence in sight.[12] Thus the decadence of handicraft industries produced an increasing pressure of population on land.[13] The result was the increasing ruralization of the country and dependence of the people of India upon 'the single and precarious resources of agriculture'.[14] The extent of this ruralization might be gauged from the high and increasing percentage of Indian population depending on agriculture for their livelihood.[15] This total reliance upon agriculture was also dangerous because Indian agriculture was, due to its dependence upon the vagaries of uncertain rainfall, an extremely precarious industry.[16] Further, ruralization was a serious economic evil because cultivable land in India was limited and could not absorb the new entrants.[17] Moreover, 'a nation which depends entirely on agriculture cannot but be poor'.[18] Many Indian leaders approvingly referred to the opinions of the Famine Commissioners of 1880 that 'at the root of much of the poverty of the people of India, and of much of the risks to which they are exposed in seasons of scarcity, lies the unfortunate circumstance that agriculture forms almost the

12. Ranade, *Essays*, p. 27; Joshi, *op. cit.*, pp. 784-5; Dutt, *EHII*, pp. 103, 345, *Speeches II*, p. 81; Gokhale, *Speeches*, p. 52.

13. R. N. Mudholkar, *Rep. INC* for 1890, p. 47; Joshi, *op. cit.*, pp. 785, 835; Dutt, *England and India*, p. 129, *EHII*, p. 345. *Bengalee*, 12 March 1902.

14. Ranade, *Essays*, p. 191; Wacha in *CPA*, p. 624; Dutt, *EHI*, p. viii, *EHII*, p. viii; M. K. Patel, *Rep. INC* for 1902, p. 77. Unlike Dutt and others, Ranade recognised that India had been 'all along like most Ancient Nations, more or less exclusively agricultural'; but he went on to say that British impact had 'aggravated the situation' (*Essays*, p. 183). See also *Tribune* (Lahore), 8 July (*ISVOI*, 2 Aug. 1891).

15. Dutt calculated that 80 per cent of the Indan people depended on agriculture (*EHI*, p. ix), while Joshi estimated that nearly 86 per cent of the 'industrial population' was connected with land (*op. cit.*, p. 784). Also see Wacha in *CPA*, p. 624; M. K. Patel, *Rep. INC* for 1902, p. 77.

16. Ranade, *Essays*, pp. 26, 183; Joshi, *op. cit.*, p. 869; Mudholkar in *Indian Politics*, p. 44; *Kesari*, 11 Nov. (*RNPBom.*, 15 Nov. 1902).

17. Joshi, *op. cit.*, pp. 849-50, 868; Mudholkar in *Indian Politics*, p. 45.

18. Dutt, *Speeches I*, p. 24. Also see, *Mahratta*, 19 June 1881, 12 Feb. 1882; *Som Prakash*, 6 Feb. (*RNPBeng.*, 11 Feb. 1882); *ABP*, 22 May 1884; *Bharat Mihir*, 17 June (*RNPBeng.*, 28 June 1884); *Swadesamitran*, 5 March (*RNPM*, March 1885); Ranade, *Essays*, p. 25; Ray, *Poverty*, p. 97; *Kesari*, 11 Nov. (*RNPBom.*, 15 Nov. 1902); S. N. Banerjea in *CPA*, p. 691.

sole occupation of the mass of the population'.[19] Overcrowding of agriculture also affected its efficiency.[20] It also led to subdivision of holdings, overcultivation, cultivation of inferior and unproductive land and encroachment on village pastures, forests, etc.[21] It resulted in disguised unemployment in the countryside.[22] G. V. Joshi also pointed out that since land had to bear the burden of unwanted workers there was lack of savings and consequent paucity of capital resources for making improvements in land,[23] and that the pressure on land drove cultivators to indulge in ruinous competition to acquire tenancies on utterly uneconomic and exorbitant rents.[24] This competition also led the agricultural labourers to undercut each other's wages.[25] Ranade also felt that the progress of ruralization in modern India also meant 'its rustication, i.e., a loss of power, and intelligence, and self-defence'.[26] The worst effect of this increasing loss of the traditional industries, combined with the failure of new industries to take their place, was that the country's economic life came more and more under foreign economic domination and India came to be looked upon by its rulers as 'a Plantation, growing raw produce to be shipped by British Agents in British Ships, to be worked into Fabrics by British skill and capital, and to be re-exported to the Dependency by British merchants to their corresponding British Firms in India and elsewhere'.[27] But how and why did this

19. *Report of the Indian Famine Commission*, 1880, Part II, para I. This extract was quoted among others by Ranade, *Essays*, p. 121, Joshi, *op. cit.*, p. 642, Mudholkar in *Indian Politics*, p. 44, *Rep. INC* for 1899, pp. 88-9.

20. B. C. Pal, *Rep. INC for* 1888, p. 159; Mudholkar in *Indian Politics*, p. 47.

21. Ranade, *Essays*, p. 66; Joshi, *op. cit.*, pp. 871, 874; *ABP*, 2 Aug. 1901; Mudholkar in *Indian Politics*, p. 45; G. S. Iyer, *EA*, p. 218.

22. *Mahratta*, 23 Jan. 1881; Joshi, *op. cit.*, pp. 790-2, 804, 849-52.

23. Joshi, *op. cit.*, p. 792. Refer also to his quotation to this effect from *the Report of the Indian Famine Commission*, 1880, on p. 853.

24. *Ibid.*, pp. 350, 658.

25. Joshi, *op. cit.*, p. 658. Also G. S. Iyer, *EA*, Chapter XII.

26. Ranade, *Essays*, p. 27.

27. Ranade, *Essays*, p. 99. Also, *ibid.*, pp. 183, 185; *Hindu*, 16 Jan. 1885; Joshi, *op. cit.*, pp. 675-6; Gokhale, *Speeches*, p. 52; *Indian People*, 27 Feb. 1903; Dutt, *Speeches II*, pp. 42-3, *EHI*, pp. viii, 276, *EHII*, pp. 114, 129, 518; G. S. Iyer, *EA*, pp. 116-7, 123-5. As early as 1873 Bholonath Chandra had

rapid decay of the rural and urban handicrafts come about? Was it the result of the inevitable march of time and events? If so it would be a melancholy phenomenon but nothing more. The Indian leadership, however, believed that while events beyond the control of men might have had something to do with it, it was much more a 'tale of unfeeling selfishness and cruel injustice'.[28] They placed the major part of the responsibility upon the shoulders of the British authorities in India and in Britain who had 'with unwavering resolution and with fatal success'[29] pursued a deliberate policy of stamping out India's industries.[30]

The Indian leaders believed that the British authorities were determined, under pressure from the British merchants and industrialists, to encourage the rising manufactures of England regardless of the consequences to the Indians and even at the cost of Indian manufactures.[31] According to them the dual aim of the British policy in India was to make the country a valuable market for the products of the British industry even if it meant taking drastic and varied measures to crush Indian handicrafts,[32] and to transform India into a raw material producing agrarian country so as to fully satisfy Britain's growing requirements of cheap and secure supply of raw materials for its fast-multiplying industries.[33] Both these objec-

condemned the policy 'which, in addition to our political slavery, has steeped the country also in an industrial slavery' (*MM*, Vol. II, p. 110).

28. S. N. Banerjea in *CPA*, p. 694.

29. Dutt, *EHI*, p. viii.

30. Bholonath Chandra, *MM*, Vol. V, p. 13; S. N. Banerjea, *Rep. INC for 1896*, p. 136, also in *CPA*. pp. 691, 694; P. Mehta, *Speeches*, p. 750; Dutt, *EHI*, p. viii, and *EHII*, p. viii; C. Y. Chintamani, 'Economic Aspects of British Rule in India', *HR*, Jan. 1902, p. 32; G. S. Iyer, *EA*. pp. 125, 249.

31. Dutt, *EHI*, pp. viii, 261, *EHII*, pp. viii-ix: 'During a century and a half the commercial policy of the British rulers of India has been determined, not by the interests of Indian manufacturers, but by those of British manufacturers.' Also *ibid.*, p. 120.

32. Bholonath Chandra, *MM*, Vol. V, pp. 14-15; *Hindu*, 16 Jan. 1885; *Samaya*, 2 Dec. (*RNPBeng.*, 10 Dec. 1887); Dutt, *EHII*, p. 518, *Speeches II*, pp. 108, 113; G. S. Iyer, *EA*, p. 125; leaders cited in f.n. 27 above.

33. 'It had been the settled policy of England in India ever since her rise in political power, to convert India into a land of raw produce for the benefit of the manufacturers and operatives of England' (S. N. Banerjea in

tives would be secured by giving a blow to the Indian handicrafts thus making the Indian economy subservient to British industries.[34]

The Indian leadership was convinced that Indian industries had been so readily, so easily destroyed because the British had used their political control over India to impose unfair terms of competition in trade between the two countries.[35] They agreed with the historian H. H. Wilson that 'the foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms'.[36] From the beginning of the British administration in Bengal in 1765, it was said, the ruling power had issued orders which were aimed at suppressing native handicrafts.[37] The sole purpose of the Parliamentary Enquiries of 1813 and 1833 was to discover ways and means of replacing indigenous produce by British manufactures in the Indian market.[38] According to the Indian leaders, the most important method discovered to achieve this end was the use of discriminatory custom duties. While the English market for Indian manufactures was progressively narrowed through prohibitions and extremely high tariffs, the Indian market was thrown wide open to British manufactures by imposing Free Trade on India.[39] The prohibitive duties on Indian exports to

CPA, p. 693). See also Bholonath Chandra, *MM*, Vol. III, pp. 99-100; leaders cited in f.n. 27 above; G. S. Iyer, *Rep. INC for* 1902, p. 72; Dutt, *EHI*, p. viii, and *EHII*, p. 129; *Kesari*, 11 April (*RNPBom.*, 15 April 1905). Consequently, the British emphasis on the development of Indian agriculture was sometimes criticised, for example by the *Kesari*, Bholonath Chandra and G. S. Iyer referred to above.

34. Dutt, *EHII*, p. 518, *Speeches II*, p. 42.

35. Wacha in *CPA*, p. 623; S. N. Banerjea in *CPA*, p. 694; *Dawn*, Feb. 1903, p. 207; *Swadesamitran*, 13 Aug. (*RNPM*. 15 Aug. 1903); *Hitavadi*, 30 Oct. (*RNPBeng.*, Nov. 1903); Mudholkar, *Rep. INC for* 1904, p. 102.

36. Mill's *History of British India*, Wilson's continuation, Book I, Chapter viii, quoted in Mudholkar in *Indian Politics*, p. 43; P. Mehta, *Speeches*, p. 750; Dutt, *EHI*, pp. 262-3; S. N. Banerjea in *CPA*, p. 692.

37. Dutt, *EHI*, p. 45; G. S. Iyer, *EA*, p. 250; Chintamani in *HR*, Jan. 1902, p. 32.

38. Wacha in *CPA*, p. 623; Dutt, *EHI*, p. 257, *EHII*, p. viii, *Speeches II*, p. 42; Chintamani in *HR*, Jan. 1902, p. 32.

39. Bholonath Chandra, *MM*, Vol. V. p. 41; Wacha, *Rep. INC for* 1894,

England were remitted in 1848, but only 'after they had done their fatal work'.[40] The internal trade of India was also restricted and shackled by the maintenance of a system of inland custom and transit duties, which discriminated against indigenous goods in their own markets.[41] The East India Company also used its political power to acquire monopolistic control over weavers and other handicraftsmen and to coerce them to produce goods at cheap and uneconomic prices, thus compelling them to abandon their ancestral professions.[42]

While spotlighting the role of deliberate effort by the foreign rulers in strangling Indian crafts, the Indian economic thinkers willingly acknowledged that in the last analysis it was the superior manufacturing technique based on steam power and improved machinery which enabled the British manufacturers to undersell Indian artisans in their own country and literally drive them out of the market.[43] Justice Ranade, for example, affirmed that 'Foreign competition, not because it is foreign, but because it is the competition of Nature's powers against man's

p. 32; Mudholkar in *Indian Politics*, p. 44; Wacha in *CPA*, p. 623; S. N. Banerjea in *CPA*, pp. 692-3, 696; G. S. Iyer, *EA*, p. 242; Chintamani, *HR*, Jan. 1902, p. 32; L. M. Ghose in *CPA*, p. 754; Dutt, *EHI*, p. viii. Above all, it was R. C. Dutt who traced the course of the discriminatory tariffs and their disastrous effects in his *EHI*, Chapters III, XIV, XV, and *EHII*, Chapters VII, VIII, X. For a tabular presentation of the duties which were imposed on the import of Indian manufactures into England between 1812 and 1832, see Dutt, *Speeches II*, p. 117. As early as 1831, a petition signed by '117 natives of high respectability' had been presented to the Right Honourable the Lords of his Majesty's Privy Council for Trade entreating their Lordships 'to allow the cotton and silk fabrics of Bengal to be used in Great Britain "free of duty", or at the same rate which may be charged on British fabrics consumed in Bengal' (quoted in B. D. Basu, *op. cit.*, pp. 52-3).

40. Dutt, *Speeches II*, p. 80. Also *EHII*, p. 123; Chintamani in *HR*, Jan. 1902, p. 32.

41. Dutt, *EHI*, pp. 303-08.

42. Dutt, *EHI*, pp. viii, 264-7; *Hitavadi*, 30 Oct. (*RNPBeng.*, 7 Nov. 1903).

43. Kadir Buksh, *Rep. INC for 1887*, p. 142; Joshi, *op. cit.*, pp. 683, 785-6; Ray, *Poverty*, p. 34; Mudholkar in *Indian Politics*, p. 44; Dutt, *EHI*, p. viii; *Swadesamitran*, 21 Dec. (*RNPM*, 28 Dec., 1901); Wacha in *CPA*, p. 623; S. N. Banerjea in *CPA*, p. 694; M. K. Patel, *Rep. INC for 1902*, p. 77; Mudholkar, *Rep. INC for 1904*, p. 103. Even Dutt agreed that 'The manual industry of India cannot compete with the steam and machinery of England' (Dutt, *England and India*, p. 81).

Labour,—it is the competition of organised Skill and Science against Ignorance and Idleness,—is transferring the monopoly not only of wealth, but what is more important, of skill, talent, and activity to others.'[44] Many nationalist leaders, however, contended that superiority of skill alone would not have resulted in such rapid and total collapse of Indian handicrafts[45] but for the fact that it was accompanied by the improvement of Indian communications through the rapid construction of railways,[46] and by the imposition of Free Trade on India,[47] the last two being, once again, the products of British political overlordship over India. Moreover, they asked, what led to the speed with which technical superiority of England over India was established? In their view, it was 'with the enormous wealth plundered from the inhabitants of this and other countries', that the machine-industries of England were 'reared and improved'.[48] On the whole the Indian leaders adopted the position that 'the manufacturing superiority over England which India had originally possessed was gone and was transferred to her rival, by the initial action of political forces *aided* subsequently by the operation of economic laws'.[49] It should be noted that the Indian publicists of the period devoted much more attention to the destruction of the town handicrafts than to the decay and displacement of the village arts and crafts. Even here, they more or less ignored the effects of changes in the tastes of the

44. Ranade, *Essays*, p. 183. Also p. 100.

45. *Dawn*, Feb. 1903, p. 207. Also see Wacha in CPA, p. 623; Joshi, *op. cit.*, pp. 680, 683-4; S. N. Banerjea in CPA, p. 694.

46. See Chapter V below.

47. See Chapters VI and XIV below and f.n. 39 above.

48. *Hitavadi*, 30 Oct. (RNP*Beng.*, 7 Nov. 1903). According to G. S. Iyer, Indian treasure was 'carried away by British adventurers and it created a class of capitalists with large accumulations of Indian money. This money stimulated the credit of this class, imparted mobility to their energy and enterprise.... By the beginning of the 19th century, the foundation of British prosperity had been well laid on the spoliation of India and Ireland' (EA, p. 243). Also see ABP, 27 Oct. 1886; S. N. Banerjea in CPA, p. 695. Banerjea in his Address to the Congress quoted a passage from Brooks Adams' *Law of Civilization and Decay*, which was to become a regular standby of later publicists and writers on India in the 19th century.

49. *The Dawn*, Feb. 1903, p. 207.

upper and middle classes of Indian society,[49a] the export of raw produce, and the decline and disappearance of native courts.

Having argued that the decay of indigenous industries lay at the root of the poverty of India, the nationalists naturally made the protection, rehabilitation, reorganisation, and modernisation of handicrafts an important plank in their programme for checking further regression in the material condition of the masses and for the economic revival of the country.[50] The Indian National Congress repeatedly declared that 'the true remedy against the recurrence of famine lies in the adoption of a policy which would' among other measures 'foster the development of indigenous and local arts and industries which have practically been extinguished'.[51] At the same time, the Indian leaders recognised clearly that, as the experience of other countries indicated, in the modern age of mechanical appliances and large-scale production 'no Hand-made industry can hope to thrive in competition with Industry moved by cheap Natural Agents'.[52] Despite these forebodings, some of them believed that however inevitable the process of ultimate decay of Indian handicrafts might be, it could be, and must be, so modified and adjusted as to cause the least possible suffering and to make the transition to large-scale industry a relatively painless process.[53] One of their charges against the

49a. An exception here was P.A. Charlu, *LCP*, 1899, Vol. XXXVIII, pp. 177-8.

50. Bholonath Chandra, *MM*, Vol. V, p. 2; Joshi, *op. cit.*, pp. 738, 753; *Mahratta*, 24 Jan. 1886; *Indu Prakash*, 25 Jan. 1886; *Hindi Bangabasi*, 30 March (*RNPBeng.*, 11 April 1891); Ray, *Poverty*, pp. 98, 145; Mudholkar, *Rep. INC for* 1898, p. 121; A. M. Bose in *CPA*, p. 427; S. N. Banerjea in *CPA*, pp. 691, 709; G. S. Iyer, *EA*, p. 171; Dutt, *Speeches*, pp. 24, 163; *EHII*, pp. 519, 528, 612.

51. Resol. XII of the INC for 1896. Also see Resol. X of 1888, Resol. IX of 1897, Resol. XIII of 1899, Resol. III of 1902.

52. Ranade, *Essays*, p. 193. R. N. Mudholkar pointed out to the assembled Congress delegates in 1898 that 'it is as possible for a bullock cart to run a race with a locomotive steam-engine as it is possible for our hand-looms to compete with looms driven by steam power' (*Rep. INC for* 1898, p. 121). Also, Joshi, *op. cit.*, pp. 785, 974; Wacha in *CPA*, p. 622; G. S. Iyer in *Indian Politics*, p. 193.

53. 'It may be said that the evil is inevitable... (but) cannot the destructive process be made slower and more gradual so that the people may be

foreign government was that it had made no effort to 'control or modify' the operation of technological forces.[54] G. V. Joshi's remarks in this respect, indicative as they are of the usual depth of his economic thinking, deserve detailed reproduction:

> ...no prudent and far-seeing Government, worthy of its position and conscious of its responsibilities in this matter, would have permitted such a disastrous, radical change to come about in the industrial organisation of the country under its sway without strenuous efforts to resist it. A transition from hand-industries to steam-power industries is of course an inevitable change, and cannot be stayed in any country; but in backward and undeveloped countries, like India, it lies in the power, as it evidently lies within the legitimate province, of their Governments to so control and direct such transition by timely and temporary intervention as to make it a beneficial change.[55]

II. PROMOTION OF MODERN INDUSTRY

This desire to preserve and revive handicraft industries was, however, never conceived by the early Indian national leaders as in any way opposed to, or as an alternative to, the growth of modern industry, whose introduction and promotion was always stressed by them.[56] They accepted with near unanimity the complete economic transformation of the country with the help of modern machines as the primary goal of their economic policies and the panacea for all the economic ills of the country.

given time to recover themselves?' G. S. Iyer in *Indian Politics*, p. 193. Also Dutt, *EHII*, p. 163. Dutt also remarked—interestingly—that 'despite the great results which are achieved by capital, it is nevertheless true that the individual man is at his best,—in dignity and intelligence, in foresight and independence,—when he works in his own field or at his own loom.... And every true Indian hopes... that something of the home industries will survive the assaults of capitalism' (*ibid.*, pp. 518-9).

54. Joshi, *op. cit.*, pp. 680, 785; Dutt, *EHII*, p. 163.

55. Joshi, *op. cit.*, p. 785.

56. Ranade, *Essays*, p. 193; Joshi, *op. cit.*, p. 974; Ray, *Poverty*, pp. 106-7; Resols. XII, IX, and III of INC for 1896, 1897, and 1902; Mudholkar in *Indian Politics*, p. 48; A. M. Bose in *CPA*, p. 427; G. S. Iyer, *Rep. INC for* 1901, p. 126; S. N. Banerjea in *CPA*, p. 691. The nationalist papers very often voiced the demand for rapid industrialisation of the country.

This acceptance and advocacy of modern industry by the Indians is best expressed in the following exhortation to his countrymen by Justice Ranade, the apostle of industrialisation in modern India:

> This is the practical work which Providence has set down for us to learn under the best of teachers. . . .We have to improve our Raw Materials, or Import them when our Soil is unsuited to their production. We have to organise Labour and Capital by co-operation, and Import freely Foreign Skill and Machinery, till we learn our lessons properly and need no help. We have rusticated too long; we have now to turn our apt hands to new work, and *bend our muscles to sturdier and honester labour. This is the Civic Virtue we have to learn, and according as we learn it or spurn it we shall win or lose in the contest.* . . . I feel sure it will soon become the creed of the whole Nation, and ensure the permanent triumph of the *modern spirit in this Ancient Land.*[57]

The Indian leaders hailed each and every step taken towards the introduction of new industries, lamented the absence of Indian endeavour in any field visibly open to effort, and exhorted all and sundry to betake themselves to trade and industry.[58] Their battle cry was that 'we must become capitalists and enterprisers... a nation of traders, machine-makers, and

57. Ranade, *Essays*, pp. 119-20. Emphasis added. As early as 1873, Bholonath Chandra had appealed to his countrymen that industrialisation was a subject 'to which their attention ought to be diverted from all other channels—which should be "the ocean to the rivers of all their thoughts". *MM*, Vol. II, p. 111. Also, *Mahratta*, 13 Feb. 1881, 24 Jan. 1886; *Bengalee*, 26 April 1884; A. S. Mudaliar, *Rep. INC* for 1886, p. 65; Joshi, *op. cit.*, pp. 753, 816; Ray, *Poverty*, pp. 98, 109, 129; G. S. Iyer, *Rep. INC* for 1901, p. 122, *EA*, pp. 64-6, 85; S. N. Banerjea in *CPA*, pp. 301, 697; Dutt, *EHII*, p. 528; *Dacca Gazette*, 11 July (*RNPBeng.*, 16 July 1904).

58. Bholonath Chandra, *op. cit.*, Vol. V, p. 43; *ABP*, 16 July 1874; Mandlik, *op. cit.*, p. 690; *Brahmo Public Opinion*, 24 June 1880; *Education Gazette*, 2 May (*RNPBeng.*, 10 May 1883); *Prabhati*, 20 May (*ibid.*, 24 May 1883.); *Bengalee*, 26 July 1884; *Burdwan Sanjivani*, 29 Nov. (*RNPBeng.*, 10 Dec. 1887); Ranade, *Essays*, pp. 100, 118-9; Tilak in *Kesari*, 28 Feb. 1893, quoted in S. L. Karandikar, *Lokamanya Bal Gangadhar Tilak* (Poona, 1957), p. 111; Ray, *Poverty*, pp. 107, 109, 111, 129; Mudholkar in *Indian Politics*, p. 48; *Bengalee*, 13 July 1900; G. S. Iyer, *Rep. INC* for 1901, p. 127; Wacha in *CPA*, p. 626; Dutt, *Speeches II*, p. 128.

shop keepers.'[59] To some of them, industrialisation was the most important, if not the sole, criterion of the progress of a people,[60] and the only sense in which the economic development of a country might be said to be taking place.[61]

This emphasis on modern industry had, to the Indian mind, its justification in the many advantages accruing from industrialisation. Since the root cause of India's economic difficulties was underproduction and underemployment, the real remedy, which could check further impoverishment and decay, increase national wealth, and induce prosperity among the millions, lay in the development of modern industries and manufactures.[62] Moreover, in view of the fact that most of the arable land in India had already been brought under cultivation and the limits of agricultural expansion had been reached,[63] industries were

59. *Mahratta*, 13 Feb. 1881.

60. 'The real standing of a country in the scale of civilisation is thus measured by the practical pursuits of its people, the number and magnitude of their callings, their industries, their enterprise, their skill, their ambition and by their performances and by the extent to which they employ natural forces as aids to production. Progress is measured by the superiority enjoyed by one nation over another in the arts and reproductive industries of the world.' 'The Exigencies of Progress in India', *JPSS*, April 1893 (Vol. XV, No. 4), p. 6. Also Joshi, *op. cit.*, p. 816; Ray, *Poverty*, pp. 43, 111; G. S. Iyer, *Rep. INC* for 1901, p. 124.

61. *Native Opinion*, 25 May 1884; Ranade, *Essays*, p. 19; P. A. Charlu, *LCP*, 1901, Vol. XL, p. 283; G. S. Iyer, *EA*, p. 131.

62. Bholonath Chandra, *MM*, Vol. V, p. 2; Naoroji, *Essays*, p. 103; *ABP*, 16 July 1874; *Akhbar-i-Am*, 8 Jan., 1 March (*RNPPN*, 11 Jan., 8 March 1879); *Brahmo Public Opinion*, 24 June 1880; *Bombay Samachar*, 19 Aug. (*RNPBom.*, 20 Aug. 1881); *Mahratta*, 23 Jan. 1881, 1 Jan., 12 Feb. 1882, 24 Jan. 1886; *Swadesamitran*, 17 Dec. (*RNPM*, 31 Dec. 1887); *Burdwan Sanjivani*, 29 Nov. (*RNPBeng.*, 10 Dec. 1887); A. S. Mudaliar, *Rep. INC* for 1886, p. 65; Joshi, *op. cit.*, pp. 751, 804-05; Ranade, *Essays*, p. 121; *Kerala Patrika*, 4 Nov. (*RNPM*, 30 Nov. 1893); 'The Exigencies of Progress in India,' *loc. cit.*, p. 13; *Akhbar-i-Am*, 30 July (*RNPP*, 28 Aug. 1897); *Bharat Jiwan*, 1 Aug. (*RNPN*, 10 Aug. 1898); Resol. XIII of INC for 1899, Resol. III of 1902; *Sialkot Paper*, 1 March (*RNPP*, 10 March 1900); Mudholkar, *Rep. INC* for 1899, p. 89; *Kesari*, 23 July (*RNPBom.* 28 July 1900); N. C. Chandavarkar in *CPA*, p. 524; P. A. Charlu, *LCP*, 1901, Vol. XL, p. 283; Wacha in *CPA*, p. 624; G. S. Iyer, *Rep. INC* for 1901, pp. 124-5, and *EA*, p. 65; *Indian Nation*, 23 Dec. 1901 (*VOI*, 8 Feb. 1902); P. Mehta, *Speeches*, p. 746; M. K. Patel, *Rep. INC* for 1902, p. 79, and *Rep. INC* for 1904, p. 115; Dutt, *EHI*, pp. xiii-xiv; *Hindu*, 21 Apr. 1902; S. N. Banerjea in *CPA*, pp. 691, 709.

63. Ranade, *Essays*, p. 207; Joshi, *op. cit.*, p. 868.

the only agency through which the pressure of population on the soil could be eased so as to reduce rural unemployment and underemployment, and alternative means of livelihood provided to the ever-growing population of the country.[64] In any case, industrialisation of the country was essential in order to check its further rustication and to put an end to its exclusive dependence on agriculture, a precarious and uncertain source of livelihood.[65] Growth of industries would also reduce the 'drain' of wealth and loss of 'wages and capital' resulting from India's import of manufactures and export of raw materials.[66]

Some of the Indian leaders held large scale industries to be necessary from another point of view also: that of the social and cultural progress of the country. Modern industry would not only produce more wealth, but, what was of much greater importance, also lead to the full and many-sided development of productive powers.[67] In this view, 'the cramped, contracted' sphere of agriculture represented a lower stage of economic development and the 'free and elevating' sphere of industry and commerce a higher stage, even if the total wealth produced was the same in both the cases.[68] Moreover, industrialism, it was believed, represented 'a superior type and a higher stage of civilisation';[69] it led to greater diffusion and development of

64. *Mahratta*, 23 Jan., 4 Sept. 1881; *Native Opinion*, 25 May 1884; Joshi, *op. cit.*, pp. 368, 751, 804-05, 851-3; Ranade, *Essays*, pp. 113, 207; B. N. Seal, *Rep. INC for 1892*, p. 95; Ray, *Poverty*, p. 98; G. S. Iyer, 'Lord Curzon's Resolution on Land Revenue and Famine', *HR*, Feb. 1902, pp. 148-9; M. K. Patel, *Rep. INC for 1904*, pp. 114-5; and section on 'Agriculture and Industry' in Chapter X below.

65. *Mahratta*, 19 June 1881, 12 Feb. 1882; *Swadesamitran*, 5 March (*RNPM*, March 1885); *Sahachar*, 6 May (*RNPBeng.*, 16 May 1885); Ranade, *Essays*, pp. 25-6, 100; Joshi, *op. cit.*, pp. 642, 667; Dutt, *Speeches I*, pp. 24-5; *Kesari*, 11 Nov. (*RNPBom.*, 15 Nov. 1902).

66. *Education Gazette*, 2 May (*RNPBeng.*, 10 May 1883); *Bengalee*, 26 April 1884; *Mahratta*, 24 June 1886; Joshi, *op. cit.*, pp. 645-8, 666-7; Mudholkar, *Rep. INC for 1898*, p. 121; G. S. Iyer, *EA*, p. 85; S. N. Banerjea in *CPA*, p. 637; *Sialkot Paper*, 24 Aug. (*RNPP*, 6 Sept. 1902). Also see below Chapters IV and XIII.

67. Ranade, *Essays*, p. 19; G. S. Iyer, *EA*, p. 131.

68. Joshi, *op. cit.*, p. 829. Also K. T. Telang in *Journal of East India Association*, Vol. XI, Part I, p. 69; Ranade, *Essays*, p. 19.

69. Joshi, *op. cit.*, p. 616. Also Bholonath Chandra, *MM*, Vol. V, p. 2;

culture, character, and intelligence in the country.[70] Factories and mills could, wrote Ranade in 1890, 'far more effectively than schools and colleges give a new birth to the activities of the nation'.[71] Moreover, modern industry was precisely the force which could help unite the diverse peoples of India into a single national entity having common interests.

> The agitation for political rights may bind the various nationalities of India together for a time. The community of interests may cease when these rights are achieved. But the commercial union of the various Indian nationalities, once established, will never cease to exist. Commercial and industrial activity is, therefore, a bond of very strong union and is, therefore, a mighty factor in the formation of a great Indian nation.[72]

Thus, by the end of the 19th century, the demand for rapid industrialisation of the country along modern lines had assumed national proportions. Not a single important newspaper or public worker of the period under study denied or doubted at any time the advantages and desirability of introducing and promoting western technique and industry in India. The only voice to be raised against large-scale, capitalistic industry was that of Satish Chandra Mukerjea, the editor of the journal *The Dawn* from Calcutta. Though a relatively unimportant figure in the years before 1905, he acquired for a time a distinct position in the political life of Bengal after that date due primarily to the influence of his many distinguished pupils. His position on the question, presented here rather briefly, is important and of interest mainly because of its resemblance in some respects to the stand taken by Mahatma Gandhi, on the

K. T. Telang, *Free Trade and Protection — from an Indian Point of View* (Bombay, 1877), pp. 51-3.

70. Ranade, *Essays*, p. 19; 'The Exigencies of Progress in India', *loc. cit.*, pp. 22-3; G. S. Iyer, *EA*, p. 266.

71. Ranade, *Essays*, p. 96.

72. *Bengalee*, 18 Jan. 1902. See also *ABP*, 16 July 1874; *Jami-ul-Ulum*, 28 June (*RNPN*, 7 July 1897). The *Bengalee* had gone even further in 1900 and opined that the very 'virtue of patriotism is associated with commercial spirit' (6 July).

one hand, and to the corporate system, on the other.[73] According to him, the modern industrial system had two major defects. On the one hand, it produced a small, highly organised minority of the capitalist class which reduced the millions of workers into mere human machines and wage-slaves, on the other, it led the workers to combine in gigantic labour organisations which were bound to be a permanent social and political danger particularly in a country as vast as India. The remedy lay, firstly, in organising most of the industries on a family-handicrafts basis, confining large-scale capitalist industry to only a few enterprises, like engineering projects, mines, railways, etc., whose existence was essential for the vast number of individual and family crafts; and secondly, by organising a 'corporate ethical life' 'by giving to each class a fixed recognised and independent place in the social organism but all cooperating in such ordered co-ordination as to work for the advantage of whole, as to further the spiritual evolution of each ascending grade and of the whole of Indian society.'[74]

Some other Indian writers of the period also criticised the competitive and acquisitive nature of the western industrial societies which destroyed all social cohesion and forced man to live 'by himself and, for himself'.[75] No stronger indictment of the contemporary West European capitalism was made than that pronounced by the anonymous writer of the article 'The Exigencies of Progress in India' in the *Journal of the Poona Sarvajanik Sabha*, April 1893:

> Not all the hardships of past tyranny can compare in intensity with the colossal misery occasioned by the unequal distribution of the necessaries of life, by the concentration of wealth and property, the legalised slavery of labour to capital, the squalor and suffering from insufficient sustenance, the numberless deaths due to starvation, and the un-

73. 'The Indian Economic Problem', *The Dawn*, March-June, 1900.
74. *Ibid.*, April 1900, pp. 265-6.
75. 'The Exigencies of Progress in India', *loc. cit.*, p. 8.

recorded suicides brought about by despair and disappointed ambition.[76]

The weaknesses of western industrialism did not, however, lead these writers to reject industrialism as such. The balance of advantages and disadvantages lay, they believed, not with the Oriental but with the European way of life. Besides, the choice did not really lie with India. It had already become a part of the world system of capitalism and could not any more stand aloof. It was far better 'to accept the inevitable and adopt ourselves to the demands of the time and fall in line with the onward march of civilisation.'[77]

In terms of time, the plantation industries of indigo, tea and coffee were the first to be introduced in India. They were, however, exclusively European in ownership, and did not entirely depend on modern mechanical contrivances. Consequently, they did not draw much of Indian attention. It was the factory industry with which the Indian leaders were more or less preoccupied and whose promotion became their main concern. The coming of railways heralded the entry of modern machines in India, and during the 1850's cotton textile, jute, and coal mining industries were started in India. As the latter two fields were primarily the preserve of European capital, Indian enterprise and hopes rested mainly on cotton textile industry, which has from its very inception occupied the position of being the most important factory industry of the country. In 1879, there were in India only 56 cotton mills employing nearly 43,000 persons. Nearly 75 per cent of these mills were situated in the Bombay Presidency. In 1882, there were just 20 jute mills, most of them in Bengal, employing nearly 20,000 persons. Thus, we find that by 1880 the extent of modern industry in India was extremely small. It was, however, sufficient to create a taste for modern industry among the farsighted sections of the Indian leadership and entrepreneurs

76. *Ibid.*, pp. 8-9. Also see, G. S. Iyer, *EA*, p. 299.

77. 'The Exigencies of Progress in India', *loc. cit.*, pp. 11-2; G. S. Iyer, *EA*, p. 300; Ray, *Poverty*, pp. 110-1.

and to whet their appetite for more. After 1880, there was a slow but continuous industrial expansion as a result of which India came to have 36 jute mills, employing 114,795 persons, in 1901-02, and 206 cotton mills, employing 196,369 persons, in 1904-05. In 1906, coal mining industry employed nearly 99,000 persons. Other industries which grew, though to a lesser extent, during this period were cotton gins and presses, rice, flour, and timber mills, leather tanneries, woollen textile, paper, and sugar mills, and such mineral industries as salt, mica, saltpetre, petroleum, and iron. A few engineering and railway workshops and iron and brass foundries also came into existence.[78] Obviously, industrial progress in India during the period under study was, on the whole, exceedingly slow, and was confined to the cotton and jute industries.[79] It did not even compensate for the displacement of the indigenous handicrafts.[80]

The attention of the Indian leadership was, therefore, naturally turned towards an examination of the causes that were retarding the industrial development of the country and, as a logical corollary, towards the remedies to be applied. First of all, they vehemently repudiated and refuted the notion, widely popular in England and in the official circles in India, that India was never destined by powers that be to be a great industrial country and that its natural role as a tropical country lay in producing raw materials to be worked up into manufactures by the European countries possessing natural technical and scientific aptitudes.[81] As a proof of India being

78. This brief description of the growth of modern industry in India is based on Prof. D. R. Gadgil's *The Industrial Evolution of India*, Chapters IV, VI and VIII.

79. Also see, Dutt, *EHII*, pp. 520-1.

80. See page 56 and footnote 4 of this Chapter. Also Gadgil, *op. cit.*, p. 185.

81. For evidence of the prevalence of this view, see *Report of the Indian Industrial Commission*, 1916-18, p. 2; and Anstey, *op. cit.*, p. 210. Even Lord Curzon, who considered himself a champion of the industrial tendency in India, opined in 1903 that 'the vast majority of them (Indians) have been trained to agriculture, are only physically fitted for agriculture, and will never practise anything but agriculture' (*Speeches*, Vol. III, p. 133). For

most suited, since times immemorial, to be a great manufacturing country the Indian leaders pointed to its past achievements in various manufacturing arts.[82] Further, the very fact that India could produce all the raw materials, etc., required for modern industry went to show that it was naturally fitted to turn out the cheapest manufactures.[83] Moreover, the Indian people possessed in abundance many of the qualities, such as providence, intelligence, skill, self-reliance, and capacity to labour hard, which went far in making a nation commercially and industrially great.[84] Consequently, the Indian leaders had great hopes for, and confidence in, the industrial future of the country provided certain other obstacles which were man-made and not natural and which could, therefore, be surmounted through proper social effort, were removed from the path.[85]

III. PAUCITY OF CAPITAL

According to the nationalist economists, in view of the fact that India possessed land and labour in abundance, the most important lacuna in the Indian industrial effort was the paucity of capital for the rising large-scale industries of the country.[86]

Indian denial, see Bholonath Chandra, *MM*, Vol. II, p. 557; K. T. Telang, *Free Trade and Protection*, pp. 34-5; Joshi, *op. cit.*, p. 642; Ranade, *Essays*, pp. 24-5; G. S. Iyer, *EA*, pp. 258, 274.

82. Bholonath Chandra, *MM*, Vol. II, pp. 560-617; Ranade, *Essays*, pp. 24, 159-60; Ray, *Poverty*, pp. 82-4; G. S. Iyer, *EA*, pp. 258, 275. Chapters XVI, XVII, XVIII; Dutt, *Speeches II*, pp. 79, 106. S. N. Banerjea in his Presidential Address to the Congress in 1903 made the very valid point that 'the European traders were first attracted, not by our raw produce, but by our manufactured wares' (in *CPA*, p. 691).

83. Bholonath Chandra, *MM*, Vol. II, p. 57; Ranade, *Essays*, p. 24; Ray, *Poverty*, p. 109; G. S. Iyer, *EA*, p. 145.

84. Joshi, *op. cit.*, p. 668; Ranade, *Essays*, p. 120; G. S. Iyer, *EA*, pp. 147, 149.

85. Joshi, *op. cit.*, pp. 668, 742; Ranade, *Essays*, p. 120; G. S. Iyer, *EA*, pp. 146-7.

86. Naoroji, *Essays*, p. 105; *ABP*, 2 Apr. 1881; *Mahratta*, 9 Aug. 1885; Joshi, *op. cit.*, pp. 666, 741, 745; Ranade, *Essays*, pp. 22, 91-2; Gokhale, *Welby Commission*, Vol. III, Q. 18140; Wacha in *CPA*, p. 625; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18675, 18690-1, *EA*, p. 145; Lajpat Rai, *The Man in His Word* (A Collection of Lala Lajpat Rai's Writings and Speeches) (Madras, 1907), pp. 39-41. The absence of rich financial magnates who could start large-scale industries on their own was also stressed. *Bengalee*, 28 Jan. 1882; Joshi, *op. cit.*, p. 742.

'Just as the Land in India thirsts for water, so the Industry of the Country is parched up for want of Capital', wrote Ranade.[87] This problem of 'want of capital' had two aspects: (a) the scarcity of accumulated capital and current savings,[88] due to the absence of peace and security in the immediate past,[89] the extreme poverty of the people, which made general savings very difficult if not impossible,[90] the social institutions and religious ideals of the Hindus, which encouraged 'subdivision and not concentration of wealth,'[91] the heavy state taxation, which cut deep into the pockets of the people,[92] and the economic drain of wealth, which carried away to a foreign land a large part of the potential savings of the community;[93] (b) the failure of modern industry to attract and mobilise the existing, scattered capital resources of the country.[94] The latter aspect was in turn the inevitable result of the existing lack among the moneyed classes of mutual confidence in working together —'the striking absence of that spirit of co-operation and habit of corporate united action, by which alone large enterprises can be started, and success won'[95]—and the want of adequate credit organisations, like modern banks, through which alone the small savings of innumerable investors could be canalised into the capital-starved, modern industries.[96] The inability of large-scale industries to attract capital resulted partly from the fact that Indian capital was unenterprising and unwilling to take risks.[97]

87. Ranade, *Essays*, p. 92.
88. Joshi, *op. cit.*, pp. 666, 741-2, 745, 803; Ranade, *Essays*, pp. 22, 91.
89. Joshi, *op. cit.*, p. 793; Ranade, *Essays*, p. 22.
90. Joshi, *op. cit.*, pp. 761, 794-6, 803.
91. Ranade, *Essays*, p. 23. Also see below.
92. Joshi, *op. cit.*, p. 795; Ranade, *Essays*, p. 91; and Chapter XI on 'Finance'.
93. See below Chapter XIII on 'The Drain'.
94. Joshi, *op. cit.*, pp. 746, 796; Ranade, *Essays*, pp. 22, 41; G. S. Iyer, EA, p. 146.
95. Joshi, *op. cit.*, p. 740. See also Ranade, *Essays*, p. 22; G. S. Iyer, EA, p. 150; Lajpat Rai, *op. cit.*, p. 142.
96. Joshi, *op. cit.*, pp. 746, 797-8; Ranade, *Essays*, pp. 40, 42.
97. Joshi, *op. cit.*, p. 746; Ranade, *Essays*, pp. 22, 91.

The Indian leaders were willing to concede that the store of accumulated capital would not be increased overnight. But, they said, the current savings would be increased by the removal of the running drain of wealth to Great Britain[98] and by the people of India learning to save and to 'live with the rigidest economy'.[99] They also suggested steps for a proper utilisation of the existing capital resources of the country. They exhorted the zamindars and princes, as being the only rich people in India, to come forward to finance the growing large-scale industries of the country.[100] They urged the people to take out their hoardings.[101] They pleaded for better organisation of credit through the use of modern banks, insurance companies, etc., so that 'the small, scattered and lifeless atoms of wealth' might be transformed into 'organised and living capital capable of infinite expansion'.[102] The measure they stressed most was the spread of the habit of trusting each other and of combining individual efforts by adopting the capitalist institution of joint-stock companies, which had proved very successful in the western countries.[103] Another favourite step that the Indian leaders emphasised in this respect, and that is discussed in the next chapter, was that of state aid and encouragement.

98. See below Chapter XIII on 'The Drain'.

99. *Mahratta*, 13 Feb. 1881. Also G. S. Iyer, *Rep. INC for* 1901, p. 127.

100. *ABP*, 2 April 1881; *Samvad Prabhakar*, 9 May (*RNPBeng.*, 17 May 1883); *Mahratta*, 9 Aug. 1885; Ray,*Poverty*, pp. 126-7; *Jami-ul-Ulum*, 28 June (*RNPN*, 7 July 1897). *Charu Mihir* wrote on 26 May 1903: 'Let Rajas and *Zamindars* gird themselves up, and fight this battle. The securing of national preservation and the national progress with the aid of capital is the proper function of the military caste in these days.... The high-minded Tata is the best specimen of a Raja and warrior in these days' (*RNPBeng.*, 6 June 1903).

101. Ranade, *Essays*, p. 188.

102. G. S. Iyer, *EA*, p. 151. See also *ibid.*, pp. 150-4; Joshi, *op. cit.*, pp. 797-8; Ranade, *Essays*, pp. 43, 49, 118; G. S. Iyer, *Rep. INC for* 1901, p. 127.

103. *Brahmo Public Opinion*, 24 June 1880; *Bengalee*, 28 Jan. 1882; *Burdwan Sanjivani*, 27 May (*RNPBeng.*, 7 June 1883); *Mahratta*, 9 Aug. 1885; *Hindu*, 29 Dec. 1885; Joshi, *op. cit.*, pp. 800, 806; Ranade, *Essays*, p. 193; *Education Gazette*, 13 Nov. (*RNPBeng.*, 21 Nov. 1891); *Bharat Jiwan*, 10 July (*RNPN*, 19 July 1891); Murli Dhar Roy, *Rep. INC for* 1901, p. 174; Lajpat Rai, *op. cit.*, pp. 39, 41.

IV. TECHNICAL EDUCATION

One of the important factors hampering the growth of industry in India was the dearth of adequately trained technicians. Consequently, one of the important and oft-repeated national demands of the Indian leadership, during the period under study, was for the opening of technical schools, colleges, and institutes in order to spread technical education and knowledge far and wide in the land.[104] The existing requirements of trained personnel were met in most cases by importation of high-paid technicians; hence the view that large-scale industry could never take roots in India 'till we have a race of men among ourselves fully trained to plan, establish, and work every department of manufacturing and trading with efficiency and cheap native skill'.[105] The Indian National Congress took up the cause of technical education at its third session in 1887 and demanded that 'having regard to the poverty of the people,' the government should, *inter alia*, 'elaborate a system of technical education'.[106] At its next

104. First Resolution of the National Conference (1883) at Calcutta, *Bengalee*, 5 Jan. 1884; *Mahratta*, 20 Jan. 1884, 9 Aug. 1885, 19 Sep. 1886; P. Mehta, *Speeches*, pp. 747-8; *Bharat Mitra*, 5 June, *Navavibhakar*, 28 July, *Uchit Vakta*, 5 Sept., *Surabhi*, and *Sahachar* of 30 Sept. (*RNPBeng.*, 14 June, 2 Aug., 12 Sep., 3 Oct. 1884 respectively); *Hindu*, 21 Nov. 1884, 3 July 1885, 10 Aug. 1886, 21 Apr. 1902; *Indu Prakash*, 25 Jan. (*VOI*, Feb. 1886); *Bengalee*, 17 April and 31 July 1886; *Indian Nation*, 2 Aug., *Indian Mirror*, 8 Aug., *Tribune*, 14 Aug., *Behar Herald*, 17 Aug. (*VOI*, Aug. 1886); *Dacca* Prakash, 7 March (*RNPBeng.*, 13 March 1886); *Bharat Mihir*, 8 Apr. (*RNPBeng.*, 17 Apr. 1886); *Sanjivani*, 4 Sept., *Bharat Basi*, 4 Sept., *Navavibhakar Sadharani*, 6 Sept. (*RNPBeng.*, 11 Sept. 1886); *Swadesamitran*, 8 Feb. (*RNPM*, Feb. 1886); S. R. Mudaliar, *Rep. INC for* 1887, pp. 137-8; S. N. Banerjea, *Speeches and Writings* (Madras, undated) (hereafter referred to as *S and W*), p. 260, in *CPA*, pp. 696-7; T. N. Singh, *Rep. INC for* 1888, p. 156; Joshi, *op. cit.*, pp. 652, 666, 745 *et. seq.*; Ray, *Poverty*, pp. 138-9; *Bharat Jivan*, 3 Oct. (*RNPN*, 12 Oct. 1898); A. M. Bose in *CPA*, p. 427; *ABP*, 2 March, 3 May 1901; Malaviya, *Speeches*, p. 269; Lajpat Rai, *op. cit.*, p. 39; M. K. Patel, *Rep. INC for* 1902, p. 79; G. S. Iyer, *EA*, pp. 90, 97; *Paisa Akhbar*, 22 Feb. (*RNPP*, 8 March 1902); Sri Ram, *LCP*, 1903, Vol. XLII, pp. 103-04; *Madras Standard*, 16 Jan., *Tribune*, 15 Jan. (*VOI*, 6 Feb. 1904); *Indian People*, 1 Jan., *Advocate*, 24 Jan. (*ibid.*, 13 Feb. 1904). Also see, Curzon, *Speeches*, Vol. II, p. 330.

105. An appeal by the Education Committee of the Poona Sarvajanik Sabha in *JPSS*, Jan. 1882, p. 31.

106. Resol. VII.

session, in 1888, the Congress urged the appointment of a mixed commission to inquire into the industrial condition of the country as a preliminary to, among other things, the introduction of a general system of technical education.[107] It reiterated this request in 1891, 1892, 1893.[108] In 1894 it affirmed in a most emphatic manner the expediency of establishing technical schools and colleges.[109] It repeated the demand almost every year thereafter. In 1904 it advocated the establishment of at least one central, fully-equipped polytechnic institute in the country, and minor technical schools and colleges in different provinces.[110] It may be noted in this respect that the demand for technical education was partially inspired by the demonstrable successes that the recently evolved systems of technical education had achieved in promoting large-scale industry on the continent of Europe, particularly in Germany, and in America and Japan.[111]

The Indian leaders were convinced that no real headway would be made in meeting the demand of modern industry for technical cadres unless the government took the initiative and shouldered the major burden of spreading technical education in the country.[112] Some of them called upon the local boards and municipalities to devote a part of their funds to the establishment of industrial schools and colleges.[113] In any case,

107. Resol. X.

108. Resols. VIII, VIII, and XII respectively.

109. Resol. XV.

110. Resol. II. G. S. Iyer went a little further, and practically anticipating the plans of the present Government of India, urged the establishment of five institutions 'like Mr Tata's Institute of Science' in the five great capitals of India. EA, p. 97.

111. T. N. Singh, *Rep. INC for* 1888, p. 156; Joshi, *op. cit.*, pp. 745, 1059; N. G. Chandavarkar in CPA, pp. 525-6; Malaviya, *Speeches*, p. 269; Wacha in CPA, p. 628; G. S. Iyer, EA, p. 92. Also Curzon, *Speeches*, Vol. II, p. 330.

112. For the INC Resolutions on the point see f.n.'s 106-10 above. Also *Bharat Mitra*, 5 June (*RNPBeng.*, 14 June 1884); *Bengalee*, 31 July 1886, 27 Aug. 1887, 4 Sept. 1897; *Indian Nation*, 2 Aug., *Tribune*, 14 Aug., *Behar Herald*, 17 Aug. (*VOI*, Aug. 1886); *Hindu*, 27 Oct. 1884, 10 Aug. 1886; *Mahratta*, 15 Aug. 1886; Joshi, *op. cit.*, pp. 667, 811; Malaviya, *Speeches*, p. 269; G. S. Iyer, EA, pp. 97-8; *Paisa Akhbar*, 5 Apr. (*RNPP*, 15 Apr. 1899).

113. *Mahratta*, 20 Jan. 1884; G. S. Iyer, EA, p. 98.

they held, technical education should not be allowed to languish for want of funds. Even though they were usually economy-minded, in this case they exhorted the government not to stint and to spend the necessary amount, however large.[114] According to them, one of the reasons why young men of India did not show much enthusiasm for technical education was the lack of employment opportunities because of the industrial backwardness of the country.[115] The government was, therefore, urged to encourage recipients of technical education by providing them with jobs, and in particular to throw open to Indians the higher posts in the Public Works, Forest, and Telegraph Departments, and the Railways.[116] Because much was expected from the government, its actual performance in promoting technical education over the years came in for sharp criticism by the Indians as being totally inadequate for meeting the needs of the times.[117]

While stressing the basic responsibility of the government, the Indian leadership laid a great deal of emphasis on self-help. They appealed to the people in general and to the educated classes, the millionaires, the zamindars and the rulers of native states in particular, to contribute liberally towards the opening

114. *Mahratta*, 24 Jan. 1886; *Bengalee*, 31 July 1886; *Hindu*, 10 Aug. 1886; *Tribune*, 14 Aug. (*VOI*, Aug. 1886); Joshi, *op. cit.*, p. 745; Resolutions XVIII, XX, VIII, XIX and II of the INC for 1898, 1899, 1900, 1901 and 1904 respectively; G. S. Iyer, *EA*, pp. 99-100.

115. Ray, *Poverty*, p. 140; *Hindustani*, 5 Dec. (*RNPN*, 11 Dec. 1900); Wacha in *CPA*, p. 626.

116. *Bengalee*, 31 July 1886; *Hindu*, 10 Aug. 1886; *Mahratta*, 15 Aug. 1886; *Indian Nation*, 2 Aug., *Tribune*, 14 Aug., *Behar Herald*, 17 Aug. (*VOI*, Aug. 1888); *Bengalee*, 4 Sept. 1897; *Hindustani*, 5 Dec. (*RNPN*, 11 Dec. 1900).

117. *Navavibhakar*, 28 July (*RNPBeng.*, 2 Aug. 1884); *Bharat Mitra*, 15 Apr., *Sahachar*, 14 Apr. (*RNPBeng.*, 24 Apr. 1886); *Sadharani*, 25 Apr., *Dacca Prakash*, 25 Apr. (*RNPBeng.*, 1 May 1886); *Surabhi o Pataka*, 12 May (*RNPBeng.*, 22 May 1886); Murlidhar, *Rep. INC for 1891*, p. 21; B. N. Seal, *Rep. INC for 1892*, p. 90; *Bharat Jiwan*, 3 Oct. (*RNPN*, 12 Oct. 1898); A. M. Bose in *CPA*, pp. 427-8; *Mahratta*, 18 Nov. 1900; Sri Ram, *LCP*, 1903, Vol. XLII, pp. 103-04; Malaviya, *Speeches*, p. 269; Lajpat Rai, *op. cit.*, p. 39; G. S. Iyer, *EA*, p. 92. At its 14th session in 1898, the Congress placed on record 'its deep conviction that the system of technical education now in vogue is inadequate and unsatisfactory' (Resol. XVIII). This opinion was reiterated in 1899, 1900 and 1901 in Resols. XVI, VIII, and XIX respectively.

of technical schools and colleges and the endowment of scholarships for enabling Indian students to study abroad.[118] As early as 1876, the India League of Calcutta had tried to initiate a movement towards spread of technical education by making arrangements on its own for the establishment of a technical institution.[119] When in 1899 J. N. Tata donated a sum of Rs. 30 lakhs for the promotion of higher scientific education and research, the Indian National Congress went to the extent of passing a resolution the same year 'to express its grateful appreciation of the patriotic and munificent gift of Mr Tata'.[120] Perhaps the most successful example of self-help was the formation at Calcutta, in 1904, of The Association for the Advancement of Scientific and Industrial Education under the leadership of eminent political leaders, like K. C. Banerji, Surendranath Banerjea, A. M. Bose, and others. The Association was to raise every year a lakh of rupees to be spent on sending students abroad, helping Indian experts returning home from foreign countries in starting new industries, and equipping and maintaining a central laboratory at Calcutta. The minimum membership fee was fixed at four annas per annum.[121]

The nature of technical education to be imparted in the newly opened technical institutions also drew the attention of

118. *Shivaji*, 1 Oct. (*RNPBom.*, 9 Oct. 1880); an Appeal by the Executive Committee of the Poona Sarvajanik Sabha, *JPSS*, Jan. 1882, pp. 30-1; *Punjabi Akhbar*, 10 Nov. (*RNPPN*, 14 Nov. 1883); First Resolution of the National Conference at Calcutta, *Bengalee*, 5 Jan. 1884; *Mahratta*, 20 Apr. 1884; *Navavibhakar*, 28 July (*RNPBeng.*, 2 Aug. 1884); Joshi, *op. cit.*, p. 812; *Jami-ul-Ulum*, 28 June (*RNPN*, 7 July 1897); *Bharat Jiwan*, 3 Oct. (*RNPN*, 12 Oct. 1898); *Almora Akhbar*, 8 Oct. (*RNPN*, 19 Oct. 1898); Lajpat Rai, *op. cit.*, pp. 40-1; *Native Opinion*, 30 July, *Indu Prakash*, 31 July (*RNPBom.*, 2 Aug. 1902).

119. J. C. Bagal, *History of the Indian Association*, 1876-1951 (Cal., 1953), p. 10.

120. Resol. XVI. The sentiments were repeated in 1900. Earlier in 1898, its President, A. M. Bose, had praised Tatas as 'a true benefactor of his country' (*CPA*, p. 456).

121. *ABP*, 11 March, 23 June 1904. The Association was received enthusiastically by the Calcutta press, See *Bengalee*, 16 March, 8 Sept. 1904; *ABP*, 23 June 1904; *Indian Mirror*, 4 May (*RNPBeng.*, 14 May 1904). Also *Dnyan Prakash*, 7 Apr. (*RNPBom.*, 9 Apr. 1904).

Indian leaders. Towards the close of the 19th century, there were only four engineering colleges in India, most of whose graduates were absorbed in various government departments. The government schools of art at Calcutta, Madras, Bombay, and Lahore had industrial sections which concentrated on imparting training in crafts like cotton-weaving, pottery, engraving, enamelling, wood-carving, gold and silver work, and ornamental metal work. In 1902, the number of industrial institutions in the country had increased to 123; however, the subjects most commonly taught in these institutions were carpentry, smithery, shoemaking, and tailoring.[122] The national leadership took strong exception to, and trenchantly criticised, the official policy of confining technical education mostly to the improvement of the style of work of carpenters, smiths and other handicraftsmen.[123] They pointed out that India already had enough of trained artisans. What the country needed were modern engineers. The main goal of technical education had to be not the revival of the extinct and dying industries but the establishment of new large-scale industries which would produce goods which were at that moment being imported.[124] And emphasis had, therefore, to be placed on education that would help in the starting of new industries by familiarising Indian technicians with the latest developments in the theory and practice of modern machines and mechanical appliances.[125] It was for this reason that the Indians laid

122. *Imperial Gazetteer of India* (1909), Vol. IV, pp. 436-9.

123. *Mahratta*, 1, 15 Aug. 1886, 18 Nov. 1900; *Bharat Mihir*, 8 Apr., *Navavibhakar*, 12 Apr. (RNPBeng., 17 Apr. 1886); *Subodh Patrika*, 6 Feb. (RNPBom., 12 Feb. 1887); *Bombay Samachar*, 12 Apr. (RNPBom., 16 Apr. 1887); *Hindustani*, 5 Dec. (RNPN, 11 Dec. 1900); *Swadesamitran*, 1 March (RNPM, 2 March 1901); Wacha in CPA, p. 628; G. S. Iyer, *Rep. INC for* 1901, p. 126; *Indian People*, 1 Jan., *Advocate*, 24 Jan. (VOI, 13 Feb. 1904). Cf. E. B. Havell, 'Technical Education in India', *Calcutta Review*, April 1897. Havell argued for emphasis on primary technical education and deprecated the demand for higher technical education.

124. *Subodh Patrika*, 6 Feb. (RNPBom., 12 Feb. 1887); *Bombay Samachar*, 12 April (RNPBom., 16 Apr. 1887); *Swadesamitran*, 1 March (RNPM, 2 March 1901); *Indian Spectator*, 9 June 1901; *Hindu*, 23 Feb. 1901; *Indian People*, 1 Jan., and *Advocate*, 24 Jan. (VOI, 13 Feb. 1904).

125. 'It is not the hand of the artisan that has to be trained so much

so much stress on foreign education and training for technical cadres,[126] and vigorously pressed for the opening of high-level institutions where the most advanced technical education would be provided.[127]

V. SPIRIT OF ENTERPRISE

According to some of the Indian leaders, one of the important causes of India's industrial backwardness was the insufficiency of the spirit of initiative and enterprise among its people.[128] 'The energy implied in a personal, independent, and self-reliant initiative... is here wanting to a lamentable extent,' bemoaned G. V. Joshi in 1885.[129] Other similar virtues which Indians lacked, according to some of the national leaders, were the spirit of cooperation and mutual trust, spirit of enquiry, independence of thought and action, courage and self-confidence, 'the will to do and the heart to dare',[130] and 'a readiness to meet and conquer opposition'.[131] The absence of these qualities was, however, not ascribed by them to any inherent weakness of the national character. Rather, they believed, it was the existing social institutions, customs, and traditions of the land which were largely responsible for India's industrial backwardness in

as the mind of the higher class of young men who will pioneer the way to the industrial upheaval of India' (G. S. Iyer, *Rep. INC for* 1901, p. 126). Also f.n. 124 above and *Mahratta*, 15 Aug. 1886; *Bharatbasi*, 4 Sept (*RNPBeng.*, 11 Sept. 1886); Ray, *Poverty*, p. 140; *Hindustani*, 5 Dec. (*RNPN*, 11 Dec. 1900); Wacha in *CPA*, pp. 627-8. For an Indian view contrary to this see 'The Indian Economic Problem', *The Dawn*, June 1900, pp. 321-2.

126. *Supra*, f.n.s 118 and 121, and G. S. Iyer, *EA*, p. 98.

127. See above f.n. 110, and *Bharatbasi*, 4 Sept. (*RNPBeng.*, 11 Sept. 1886); Wacha in *CPA*, p. 628; Resol. IX of the INC for 1902; *Indian People*, 1 Jan., *Advocate*, 24 Jan. (*VOI*, 13 Feb. 1904).

128. J. N. Singh, *Rep. INC for* 1888, pp. 156-7; R. Bose, *ibid.*, p. 162; Ranade, *Essays*, pp. 122, 187; 'The Exigencies of Progress in India', *loc. cit.*, p. 4; G. S. Iyer, *EA*, p. 149; B. C. Pal, 'The National Problem', an address delivered on 26 Jan. 1903 at Calcutta, in *The New Spirit* (Calcutta, 1907), p. 175.

129. Joshi, *op. cit.*, p. 740. Also p. 826.

130. R. Bose, *Rep. INC for* 1888, p. 162.

131. Ranade, *Essays*, p. 122. Also, Joshi, *op. cit.*, pp. 740, 801-2; 'The Exigencies of Progress in India', *loc. cit.*, pp. 4, 23; G. S. Iyer, *EA*, pp. 149-50; Lajpat Rai, *op. cit.*, p. 42.

general and for the lack of the spirit of enterprise amongst Indians in particular. The caste system hampered the mobility of labour and capital and prevented intelligent young men belonging to higher castes from taking to technology and industry with the result that 'the highest thought lived, as it were, divorced from the highest skill'.[132] Restrictions on foreign travel impeded the expansion of Indian business abroad.[133] Indian religious ideals, on the one hand, preached contentment and, on the other, condemned the ardent pursuit of wealth, with the effect that the ambition for material success was curbed and an important incentive for increasing social wealth was removed.[134] In India, pessimism was all-pervading; human life was seen as a pre-ordained misery and all efforts at human betterment were declared to be doomed to failure.[135] Indian customs and tradition pronounced a life of retirement, inactivity, and ease, and a listless and sedentary life, to be the highest ideal of happiness.[136] India, dreamy and contemplative, was constantly running after the unattainable.[137] But modern industrial civilisation was practical to the core.[138] Lastly, the Indian ideal of spiritual salvation of the individual detached the individual from society and, combined with caste loyalties, produced that absence of social consciousness which

132. 'The Exigencies of Progress in India', *loc. cit.*, p. 23; Joshi, *op. cit.*, p. 625; *Mahratta*, 1 Feb. 1884; *Bengalee*, 17 Dec. 1901; Gokhale, *Speeches*, p. 1057; G. S. Iyer, EA, p. 216.

133. Joshi, *op. cit.*, p. 625; *Bengalee*, 17 May 1902.

134. Ranade, *Essays*, pp. 23, 122; B. C. Pal, 'The National Problem' *loc. cit.*, pp. 179-80. Also see, G. S. Iyer, EA, pp. 133, 234. As opposed to the Indian outlook, pointed out the anonymous writer of the article 'The Exigencies of Progress in India', 'modern civilisation is a condition of existence in which every person is ceaselessly striving to improve his station in life, to develop his powers, to raise the standard of his comforts' (*loc. cit.*, p. 5).

135. 'The Exigencies of Progress in India', *loc. cit.*, p. 5.

136. *Ibid.*, p. 3; J. N. Singh, *Rep. INC for* 1888, p. 157; G. S. Iyer, EA, p. 151.

137. 'The Exigencies of Progress in India', *loc. cit.*, p. 5; J. N. Singh, *Rep. INC for* 1886, p. 157.

138. 'The Exigencies of Progress in India', *loc. cit.*, pp. 5-6, 23; B. C. Pal, 'The National Problem', *loc. cit.*, p. 186.

characterised India at the time.[139]

One section of the Indian leadership, which was known as social reformers and was led by Justice Ranade, propagated the view that the Indian social institutions had to be radically altered if modern trade and industry were to have a healthy growth in India.[140] 'You cannot have a good economical system when your social arrangements are imperfect', said Ranade.[141] The reformers, therefore, urged the people to shed the overpowering influence of old traditions and customs and adopt and imbibe the new outlook and the new spirit of the West, viz., the spirit of capitalism.[142] They held up for admiration and emulation such modern concepts as progress and science, independence of thought and action, love for change and adventure, optimistic and practical turn of mind, desire to improve one's status in life, etc.[143] The more orthodox of the Indian leaders denied, while believing in the necessity for some social reforms, the need for anything like a revolution in Hindu mores and morals and held that the basic Indian social institutions and traditions were quite compatible with industrialisation.[144] While conceding the need for developing those habits of mind and action which would promote modern trade

139. G. S. Iyer, *EA*, p. 150; B. C. Pal, 'The National Problem', *loc. cit.*, p. 179.

140. 'Success in unfamiliar pursuits necessitates radical changes in our private lives and we must release ourselves from traditional constraints which clog reform, and reconcile ourselves to the abandonment of sentiments and prejudices which obscure the view and pervert the judgment' ('The Exigencies of Progress in India', *loc. cit.*, pp. 1-2).

141. Ranade, *The Miscellaneous Writings* (Bombay, 1915), p. 231. Cf. D. G. Karve's *Ranade—The Prophet of Liberated India* (Poona, 1944): 'Ranade wanted that the entire life of the people, social, political and economic, should be reorganised so as to be businesslike in the sense of being based on the needs and prospects of modern business and industry in India' (p. 106).

142. *Ibid.*, p. 116; G. S. Iyer, *EA*, p. 300. Also Bholonath Chandra, *MM*, Vol. V, pp. 7-9.

143. 'The Exigencies of Progress in India', *loc. cit.*, pp. 1-23; and f.ns. 130 and 131 above.

144. *Bharat Jiwan*, 6 Nov. (*RNPN*, 14 Nov. 1899); Tilak, cited in Pradhan and Bhagwat, *op. cit.*, pp. 50, 63, 96; N. G. Chandavarkar, *Speeches and Writings*, ed. by L. V. Kaikini (Bombay, 1911), p. 75 (otherwise he belonged to reformers' group); Lajpat Rai, *op. cit.*, pp. 114-28.

and industry, they believed that, since these virtues were to be found in the Hindus in the most ancient past and had only been lost in the interim period due to social and religious degeneration, the remedy lay in going back to the pristine past and not in going abegging to the West.[145] This attitude is best exemplified by their treatment of the caste problem. While invariably holding up the 'original' four-caste system, as propounded in the Vedas, for admiration and practice, they condemned the prevalence of thousands of sub-castes and untouchability in modern times.[146]

However, the question of altering the Indian social structure so as to bring it into harmony with the rising modern industry did not assume during the period under study the status of a major issue in the nationalist economic and political agitation. The greater importance attached to the political and economic struggle against the foreign rulers, the necessity of putting up a united front in this struggle, the resurgence of nationalism in the last quarter of the 19th century which overflowed into religious and cultural spheres and which drove, when faced with the superior attitude of the rulers, a large section of the national leadership to defend Indian religions and culture, and the visible failure of the western capitalist civilisation to satisfy the material and spiritual needs of man, were some of the important factors responsible for pushing social reform to the backstage of the national movement. Moreover, the Indian experience showed that there was no organic or inherent link between the spirit of capitalist enterprise and an advanced social outlook, since the rising capitalist entrepreneurs belonged to the socially orthodox groups like the Marwaris, the Jains, the Bhatias, the Chettiars, the Khojas, the Memons, and the Boras and not to the progressive

145. Lajpat Rai opined in 1904 that 'there is sufficient in our sacred books round which we can rally for social strength and reform' (*op. cit.*, p. 99). Also, *ibid.*, pp. 73, 116, 122, 124; Tilak, cited in Pradhan and Bhagwat, *op. cit.*, p. 63.

146. Tilak, cited in Pradhan and Bhagwat, *op. cit.*, pp. 63-4; Lajpat Rai, *op. cit.*, pp. 76-7, 119.

Brahmos of Bengal, or the social liberals of Poona, Bombay, or Madras. It also perhaps became obvious as time passed that it was the absence of industrial capitalism which explained the absence of a spirit of capitalist enterprise rather than the other way round.

Many of the early Indian leaders tried to fill the void in the field of entrepreneurial spirit in the country by means of personal effort and example. They were among the early pioneers of the movement for starting modern industries, banks, insurance companies, trading houses, etc.[146a] For example, in 1855 Dadabhai Naoroji became a partner in the commercial firm of the Camas, the first Indian firm to be established in London, and in 1869 he started his own concern under the name of Dadabhai Naoroji and Co.[147] Ranade played an important part in the origin and growth of the Cotton and Silk Spinning and Weaving Factory, the Metal Manufacturing Factory, the Poona Mercantile Bank, the Poona Dyeing Company, and the Reay Paper Mill, all set up at Poona.[148] According to Gokhale, 'most of the industrial and commercial undertakings that have sprung up in Poona during the last twenty years owe a great deal to his inspiration, advice, or assistance.'[149] K. T. Telang and Pherozeshah Mehta, along with some others 'who were keen in our new-born enthusiasm to promote the industries and arts of India,' started a soap factory in Bombay in the 1870's.[150] As a matter of fact, Pherozeshah Mehta was quite intimately connected with the mill industry of India.[151] Tilak also ventured into the industrial field, though only for a short while, when in 1891 he opened in partnership with two friends a cotton-ginning factory at Latur in the Nizam's territory.[152] D. E. Wacha was

146a. A. C. Mazumdar, *Indian National Evolution* (Madras, 1917), p. 187.
147. Masani, *op. cit.*, pp. 71, 78.
148. G. A. Mankar, *op. cit.*, Vol. I, pp. 82-3.
149. Gokhale, *Speeches*, p. 927.
150. P. Mehta, *Speeches*, p. 747.
151. *The Indian Nation Builders* (Madras, undated), Part I, p. 182.
152. Ram Gopal, *op. cit.*, p. 42.

the managing agent of the large and flourishing Morarji Gokaldas and Sholapur Mills; and for many years he was a member of the managing committee of the Bombay Mill Owners' Association.[153] R. N. Mudholkar, one of the prominent Congress leaders of the 19th century, was also one of the forerunners of modern trade and industry in Berar. In 1881-82, he established in cooperation with some friends the Berar Trading Company, which was the first joint-stock company in Berar, and acted as its secretary. Later in 1885, he started along with others the first textile mill in Berar. He was also instrumental in the setting up of an oil pressing factory and several cotton ginning and pressing factories.[154] Madan Mohan Malaviya, another veteran stalwart of the Congress, helped start in 1881 the Deshi Tijarat Company at Allahabad and later played an important part in establishing the Prayag Sugar Company.[155] Lala Lajpat Rai was another prominent nationalist leader with extensive business connections. He was a director of the Punjab National Bank—one of the earliest Indian banks—and was interested in several cotton mills and cotton presses in the Punjab, being on the Board of Directors in several cases.[156] The nationalist leaders from Bengal were not as active in the industrial field as those from the western or northern India. But even here we find A. M. Bose, Durga Mohan Das, and Bhoobun Mohan Das joining two others in floating the Bengal Banking Corporation in 1880.[157] Moreover, Surendranath Banerjea, A. M. Bose and Narendra Nath Sen associated themselves, at least symbolically, with the commercial effort in Bengal by becoming honorary members of the Bengal National Chamber of Commerce.[158]

An interesting example of the nationalist urge to industrialise the country by harnessing internal sources of capital

153. *The Indian Nation Builders*, Part II, pp. 93, 296.
154. *Ibid.*, pp. 361, 372.
155. *Ibid.*, Part I, pp. 155-6.
156. Lajpat Rai, *op. cit.*, intro. p. xxiii.
157. *Brahmo Public Opinion*, 22 Jan., 8 Apr. 1880.
158. *Report of the Bengal National Chamber of Commerce for 1887*, pp. 71-2.

and enterprise was the Paisa Fund. The main idea of the Fund, viz., that of utilising the savings of the poor and middle classes to finance new industrial undertakings, had been put forward in 1865 in the *Indian Mirror* by Tarapad Banerjea of Raniganj, Bengal, and had received the support of a few leaders of the time. In 1873, G. B. Joshi of Bombay tried to start a Public Pice Fund but succeeded in raising only Rs. 150. In 1899, however, the idea inspired a young school teacher, A. D. Kale, who resigned his job and started collections for a Paisa Fund, to which each person was expected to contribute just one *pice* per year and which was to be used for establishing and popularising modern industries. In this venture Kale was encouraged and supported by Tilak and other leaders of Maharashtra. Kale's enthusiastic and hard work soon bore fruits and in 1908 a glass factory-cum-training centre was established at Talegaon in Maharashtra with the help of the Paisa Fund.[159]

The Indian leaders also formed industrial associations, convened industrial conferences, and held industrial exhibitions with a view to promote the creed of industrialism, awaken interest as regards industrial and commercial development, arouse the spirit of enterprise, create a confident and hopeful industrial outlook, disseminate knowledge of advanced techniques, and diffuse information regarding the scope and opportunities for various enterprises.[160] Pioneering work in this field was done by Ranade, who was one of the principal organisers of the Industrial Association of Western India formed in 1890 and the Industrial Conference which first met at Poona in the same year. He had earlier organised an industrial exhibition in that city.[161] In all these activities he was helped by other leaders, like G. V. Joshi and M. B. Namjoshi of

159. These facts are taken from *The Paisa Fund Silver Jubilee Number* (Poona, 1935).

160. *Mahratta*, 9 Aug. 1885, 22 Sept. 1895; Ranade, *Essays*, pp. 120, 180-94; Joshi, *op. cit.*, pp. 971-8. Also D. G. Karve, *op. cit.*, p. 106.

161. Kellock, *Mahadev Govind Ranade* (Cal., 1926), pp. 121-2; Gokhale, *Speeches*, p. 927.

Maharashtra. From 1890 onwards the Industrial Conference met annually for several years and rendered service by evoking systematic thought on Indian industrial and economic problems. Many of the celebrated essays of Ranade and Joshi on Indian economic problems were in fact written in the form of papers read at the Conference. Following the example of Poona, an industrial conference was also held at Calcutta in October, 1891.[162] Unfortunately, it did not have much of an impact. Calcutta was, however, more successful in the field of industrial exhibitions. The first, though meagre, efforts in this direction were made by J. Choudhury and others who in 1896 organised an industrial exhibition in connection with the Congress session at Calcutta.[163] But this proved to be a lone effort and was discontinued in the later sessions. At its sixteenth session held at Lahore in 1900, the Congress took up the matter officially and decided to devote at least half a day to the discussion of industrial problems, and formed an Industrial Committee to discuss ways and means by which the Congress could promote the industrial movement.[164] As a result of this Committee's deliberations, an Industrial Exhibition was held at Calcutta in 1901 as an annexe to the Congress.[165] Thereafter the Exhibition became a regular adjunct of the Congress sessions.

The Indian national leadership was also of the view that a very important obstacle in the path of Indian efforts at rapid industrialisation was the government's policy of free trade, which forced the infant and undeveloped industries of the country into a premature and unequal, hence unfair, competition with the highly organised and developed industries of

162. *Bengalee*, 12 Sept., 7 Nov. 1891.

163. S. N. Banerjea, *A Nation in Making* (Oxford Press, 1925), p. 146.

164. Resols. VII and XXV of the INC for 1900.

165. B. Pattabhi Sitaramayya, *The History of the Indian National Congress*, 1885-1935 (Madras, 1935), p. 68. The exhibition got enthusiastic support from the popular Indian newspapers. See *Bengalee*, 18 Jan. 1902; *Indian Nation*, 23 Dec. 1901, *Advocate*, 9 Jan. 1902, *Indian Mirror*, 19 Jan. 1902 (*VOI*, 8 Feb. 1902).

the West. This view as well as their struggle against the different measures undertaken by the Government of India to implement their free trade policy are examined in detail in later chapters of this study.

CHAPTER III

Industry, II

British capital is... a *sine qua non* to the national advancement (of India).

— LORD CURZON

The introduction of foreign, and mostly British, capital for working out the natural resources of the country, instead of being a help, is, in fact, the greatest of hindrances to all real improvements in the economic condition of the people.

— BIPIN CHANDRA PAL

I. ROLE OF FOREIGN CAPITAL

Since scarcity of indigenous capital and its 'shyness' or reluctance to venture into new fields limited the scope of India's industrial development and, at the same time, British capital, not being completely absorbed in its homeland, was seeking fresh channels for investment, the British view was that this foreign capital should be employed to fill the lacuna in India's economic growth and act as a powerful lever of industrialisation. The authorities, both in Great Britain and India, were of the view that by attracting British capital to India and by removing all impediments in the way of its operation, not only India's economic ills would be fully remedied but also a secure and profitable outlet would be provided for the surplus British capital.[1]

1. '... Other channels of investment, outside of India, are gradually being filled up, not merely by British capital, but by the capital of all the wealth-producing countries of the world; and, if this be so, then a time must soon come when the current of British capital, extruded from the banks between which it has long been content to meander, will want to pour over into fresh channels, and will, by the law of economic gravitation, find its way to India, to which it should be additionally attracted by

The existence of British rule afforded security and provided attraction for the flow of capital into India. Hence, in the absence of indigenous capital and enterprise and as a result of the British political supremacy, the British capitalists became in the initial stage the chief promoters and pioneers of modern industries in India. Nevertheless, surprisingly, the original investment of British capital in India was very small. The conquest of the Indian Empire was carried out with Indian finances or loans floated in India. The new mercantile, banking, and plantation enterprises that arose in the first half of the 19th century were mostly financed by British Indian officials out of their savings. Consequently, 'these interests represented simply portions of the Indian spoil and revenue reinvested in India. They did not constitute an export of British capital.'[2] It was only after 1857 that British capital began to pour into India in significant amounts. During the period 1854 to 1859, when this flow was at its maximum, nearly 150 million pounds were invested.[3] Unfortunately, no reliable estimates of the total amount of foreign capital invested in India during the 19th century are available. A large part of foreign capital was invested through joint-stock companies registered elsewhere but carrying on a part or whole of their business in India, and it was difficult if not impossible to calculate precisely the amount of such capital. However, a general idea of the volume of foreign capital involved may be had from the three estimates published between 1909 and 1911. In 1909 a writer in the *Economist* calculated that nearly 470 million pounds of British capital were invested in India.[4] According to another estimate

the security of British institutions and British laws' (Curzon, *Speeches*, Vol. III, p. 134). Earlier, he had pronounced that 'British capital is, therefore, a *sine qua non* to the national advancement (i.e., of India)' (*Speeches*, Vol. I, p. 34). Also see, Elgin, *Speeches*, p. 489.

2. Leland Hamilton Jenks, *The Migration of British Capital to 1875* (New York, 1927), p. 208.

3. *Ibid.*, p. 225. Also see *Report of Indian Famine Commission*, 1880, Part II, Section VIII, para 3.

4. Cited in P. P. Pillai, *Economic Conditions in India* (London, 1925), p. 281.

made by Sir George Paish in 1910, India and Ceylon had absorbed by 1909 about 365 million pounds of British capital.[5] In 1911 M. F. Howards put the figure at 450 million pounds.[6] The accuracy of these estimates apart, they show, in any case, that the total amount of foreign capital invested in India had considerably increased during the period.

A detailed examination reveals three peculiar characteristics of foreign capital in India, which should be kept in view while examining the attitude of the Indian national leadership towards it. Firstly, after 1870 the volume of annual interest remitted abroad on account of the existing foreign investments exceeded the annual inflow of fresh capital. This meant that in reality Great Britain was a net importer of capital from India throughout the last quarter of the 19th century, or, in other words, not only was investment of new foreign capital in India made entirely from the profits of the past investment of foreign capital in India but a part of these profits was even used by the British financiers to develop other parts of the world.[7] Secondly, while British investors were anxious to find an outlet in India for their surplus capital, British manufacturers were equally keen to preserve India as a monopoly market for their products; and, since the latter were still a powerful force in Britain, the Indian government was compelled to adopt a policy of non-encouragement—and sometimes even of discouragement—of modern industry in India. As a result, foreign capital found employment primarily in fields like governmental loans, railways, foreign trade, banking, mining and plantations, which not only did not compete with British manufactures but, on the contrary, facilitated their penetration into the Indian market. According to Sir George Paish, out of the total British investment of 365 million pounds in India in 1909, only 2½

5. George Paish; 'Great Britain's Capital Investments in Individual Colonial and Foreign Countries', *Journal of the Royal Statistical Society*, Vol. LXXIV, Part II (Jan. 1911), p. 180.

6. Cited in Pillai, *op. cit.*, p. 281.

7. Jenks, *op. cit.*, p. 230; *Report of Indian Famine Commission*, 1880, Part II, Section VIII, para 3.

million pounds were invested in commercial and industrial undertakings. Obviously the share of industry as such was even smaller.[8] Thirdly, even though the total volume of foreign capital invested in modern industries was paltry by any standard, yet it dominated the Indian industrial scene and overwhelmed Indian capital in the field. Most of the jute mills, woollen and silk mills, paper mills, sugar factories, leather factories, and iron and brass foundries were owned by foreign investors.[9] Only in the cotton textile industry did the Indians have a large share from the beginning. But even here, a part of the capital was foreign, the management was mostly foreign, and the technical cadre had perforce to be for the most part imported.[10]

In its approach towards the use of foreign capital the Indian national leadership was for long confused, divided, and hesitant. Initially, as the railways and canals, mines, plantations, and modern industries made their advent under foreign patronage, there was not much opposition in the country to the influx of foreign capital. However, as Indian-owned industries slowly developed and the Indians became aware of the effects of its dominance, criticism of foreign capital began to appear and grow. By the close of the 19th century, while a small but influential section of the Indian leadership was still in favour of utilising foreign capital, the majority was vehemently opposed to it.[11] This change in nationalist attitude is best exemplified in Dadabhai Naoroji, who turned, during the course

8. George Paish, *op. cit.*
9. Joshi, *op. cit.*, Chart facing page 786; Ray, *Poverty*, pp. 113-4, 125-6.
10. Joshi, *op. cit.*, pp. 652, 757.
11. This fact has been missed by many of the students of Indian economics. Even the otherwise well-informed authors of *Our Economic Problem* (Bombay, 1946), Professors P. A. Wadia and K. T. Merchant, have given currency to the notion that Indian leadership had not much to say on the question of foreign capital till after the end of the First World War. They write: 'Indian public opinion with regard to the value of foreign capital investment in India did not definitely express itself till 1922. It was the Fiscal Commission that pointed out that witnesses declared that they did not wish foreign capital to be admitted except under definite restrictions' (pp. 479-80).

of years, from a staunch advocate of foreign capital into its vehement critic and opponent.[12] It should also be noted that many Indian leaders, who on the whole favoured the investment of foreign capital, criticised certain aspects of it, while those who were opposed to it were still willing to concede that some benefits did accrue from it. This complex, even dual, approach of a large number of the national leaders makes their stand often appear inconsistent and sometimes even illogical. In reality, however, they had already, by 1905, worked out a cogent and comprehensive understanding of the role that foreign capital was then playing in India and might play in the years to follow.

The section of Indian leadership that favoured the use of foreign capital did so mainly on the ground that a poor country like India, with its inability to mobilise indigenous capital for initiating new industries, must, of necessity, look to foreign capital for the development of its industries and means of transport and the consequent amelioration of the material condition of its people.[13] The *Amrita Bazar Patrika* of 23 February 1903 even opined that in the existing circumstances it would be 'suicidal and foolish to oppose the influx of foreign capital into the country'. Foreign enterprise, it was hoped, would give an impetus to native trade and industry by acting as an example

12. In a minute placed before the meeting of the East India Association, London, held on 8 December, 1868, Dadabhai wrote: 'I earnestly entreat all Englishmen of enterprise to go to India and make to themselves as large profits as possible, and they cannot oblige us more or confer a greater benefit. We will be better for every farthing they make for themselves by their investments and enterprise in our country' (*Journal of East India Association*, Vol. III for 1869, No. 1, p. 13). See also Naoroji, *Essays*, pp. 39-41, 102, 104, 106, 124-7, 130-1, 135. For his subsequent opposition to foreign capital, see discussion below.

13. Naoroji, *Essays*, pp. 39-40, 106, 127; S. N. Banerjea, *Speeches I*, p. 190; *Hindustan*, 21, 23, 24 Aug. (*RNPPN*, 28 Aug. 1888); Ranade, cited in Kellock, *op. cit.*, p. 122, and *Essays*, p. 105; *Hitavadi*, 13 June (*RNPBeng.*, 20 June 1891); *ABP*, 8 Feb. 1895, 6 Jan., 15 Oct. 1900, 10 Aug. 1903; S. N. Banerjea in *CPA*, p. 270; R. M. Sayani, *LCP*, 1897, Vol. XXXVII, p. 524; *Hindustan*, 8 Oct. (*RNPN*, 11 Oct. 1899). In his early years, Dadabhai considered the import of foreign capital to be a partial check to, and compensation for, the inevitable drain of Indian wealth and capital to Britain (*Essays*, pp. 102, 130-1, 135).

and a stimulant.[14] It was expected to act virtually as a teacher to the Indian entrepreneurs.[15] This section of the national leadership therefore believed that British investors should be encouraged to invest their funds in India,[16] and Indian people should not grudge the payment of interest and profits to them, since these were paid out of the resources which might otherwise have remained undeveloped.[17]

A large majority of Indian leaders, however, opposed the use of foreign capital and denied that its beneficial effects outweighed its baneful consequences. The starting point of their reasoning was the belief that the impact of industrialisation or development of material resources through the opening of railways, canals, mines, plantations, and factories on the national wealth and prosperity of a country could not be examined separately from the questions: under what circumstances was the industrialisation carried out and who benefited from it.[18] They argued that, since it was foreign enterprise that was for the most part developing Indian resources, it was the foreign capitalists who reaped the advantages resulting from this development and appropriated the additional wealth thus produced.[19] Hence, foreign capital did not, and could not, con-

14. Dadabhai Naoroji quoted John Stuart Mill to make this point (*Essays*, p. 104). Also see, Joshi, *op. cit.*, pp. 789-90; R. M. Sayani, *LCP*, Vol. XXXVII, p. 524.

15. Ranade, *Essays*, p. 186.

16. 'The foremost duty of the Government is to invite and encourage capitalists from England or even America to open industries here' (*ABP*, 17 March 1902). The newspaper went on to criticise the Government of India for meeting the proposals of foreign investors 'with coldness and illiberality'. See also S. N. Banerjea, *Speeches I*, p. 190; *Hindustan*, 21, 23, 24 Aug. (*RNPPN*, 28 Aug. 1888) and 12 Nov. (*RNPN*, 15 Nov. 1898); *ABP*, 15 July 1893; and Naoroji, cited above, f.n. 12.

17. *Hindustan*, 21, 23, 24 Aug. (*RNPPN*, 28 Aug. 1888); S. N. Banerjea in *CPA*, p. 270.

18. Joshi, *op. cit.*, p. 756; *Hindu*, 23 Feb. 1900; *Bengalee*, 25 May 1901; G. S. Iyer, 'The Viceroy on the Economic Condition of India,' *HR*, June 1901, pp. 445-7; Naoroji, Speech at Portsmouth, *India*, 20 March 1903, p. 140.

19. Naoroji, *Speeches*, pp. 240, 250-1, 382, 398, Appendix p. 3; G. S. Iyer, *Rep. INC for 1898*, p. 107; *Champion*, 30 July (*RNPBom.*, 5 Aug. 1899); *Hindu*, 23 Feb. 1900; *Bengalee*, 25 May 1901. Replying to those who visualised a large influx of foreign capital, D. E. Wacha remarked in

tribute to the prosperity of the nation or improve the economic condition of its people, even though a few incidental benefits might flow from it.[20] In reality, they held, foreign enterprise had turned the bulk of the Indian people into 'hewers of wood and drawers of water to the British and foreign capitalists'.[21] It was reducing 'the Indian people to the lot of a race of coolies under white masters'.[22] The development of Indian resources by foreign capital actually meant not development but 'despoliation' and 'exploitation' of these resources.[23] Far from being a source of wealth, it was undoubtedly one of the important causes of the growing poverty of the country.[24] Further expansion of foreign investments, therefore, would hasten the country's ruin and 'surely reduce our nation to a state of eternal economic dependence upon British capital'.[25] According to them, employment of foreign capital posed a serious economic and political danger not only to the present generation but also to posterity and should, therefore, be all the more carefully and jealously guarded against.[26] This attitude of opposition to

1899: 'Foreign exploiters in large numbers will locust-like spread over the land and eat its fat and marrow. But how will the people be benefited? The profits will be swept away elsewhere; and when the time comes, the capital itself will be withdrawn' (*Rep. INC for* 1899, p. 59).

20. *Lok Mitra*, 24 Dec. (RNPBom., 30 Dec. 1889); Dutt, *England and India*, p. 132; *Champion*, 30 July (RNPBom., 5 Aug. 1899); *Hindu*, 23 Feb. 1900; *Bengalee*, 25 May 1901.

21. Naoroji, *Speeches*, p. 133. Also see *ibid.*, pp. 240, 382, 398, Appendix p. 7; Joshi, *op. cit.*, p. 700.

22. G. S. Iyer, EA, p. 122. Also see *Hindu*, 23 Feb. 1900; *New India*, 26 Aug. 1901.

23. Naoroji, *Poverty*, pp. 34, 568-9, *Speeches*, p. 196, Appendix p. 7, a letter published in *India*, 10 May 1901, p. 223, and Speech at Portsmouth, *India*, 20 March 1903, p. 140; *Bengalee*, 25 May 1901; *Indian People*, 23 Feb. 1905. The editor of the *Hindustan Review and Kayastha Samachar* described the use of foreign capital as a 'system of international depradation' (Feb. 1903, p. 193). Also Gokhale, *Welby Commission*, Vol. III, Qs. 18140-1.

24. Naoroji, *Speeches*, Appendix p. 3; *Bengalee*, 25 May 1901; G. S. Iyer, 'Lord Curzon's Budget Speech', HR, April 1903, p. 318.

25. *Bengalee*, 1 June 1901. Also *Mahratta*, 30 Jan. 1881.

26. Joshi, *op. cit.*, pp. 673, 700, 739-40. Also Naoroji, *Poverty*, p. 227; *Madras Standard*, 28 May (RNPM, 1 June 1901). A writer in the *Bharat Mihir* of 17 July 1883 pointed out that British capital was responsible for 'improving' the American Indians off the face of the earth, turning African

foreign capital was summed up by Bipin Chandra Pal as follows:

> The introduction of foreign, and mostly British, capital for working out the natural resources of the country, instead of being a help, is, in fact, the greatest of hindrances to all real improvements in the economic condition of the people. This exploitation of the land by foreign capitalists threatens to involve both Government and people in a common ruin.... It is as much a political, as it is an economic danger. *And the future of New India absolutely depends upon an early and radical remedy of this two-edged evil.*[27]

As a matter of fact, the opponents of foreign capital came to believe that genuine economic development and improvement of the country was possible only if Indian capitalists themselves initiated and developed the process of industrialisation, and that foreign capitalists were incapable of fulfilling this task.[28] 'I am not aware of any instance of a country, either in modern or in ancient times', said G. S. Iyer in 1901, 'where a number of foreign capitalists, with all the political and social advantages of their being of the ruling race, have helped in bringing about the industrial prosperity of the people ruled.'[29] He went on to add: 'I do not hesitate to say that only in this way, that is, by educating and training our own people so as to enable them to take into their own hands the manufacture of our own raw materials that non-agricultural wealth can be created.'[30]

Negroes into American slaves, and transforming Egypt into a colony (*RNPBeng.*, 21 July 1883).

27. *New India*, 12 Aug. 1901. Emphasis added. In the next issue of the *New India*, he wrote: 'Under existing economic and financial conditions, we are constrained to look upon every new industry opened by English enterprise and worked by British capital, as a source of fresh economic danger' (19 Aug. 1901). An article published in the *Kesari* in 1890 went to the extent of declaring: 'Mahadev (i.e. Ranade), in singing the praises of foreign capital, is a traitor to his country' (Quoted in Kellock, *op. cit.*, p. 123).

28. Joshi, *op. cit.*, p. 757; *Kesari*, 22 June (*RNPBom.*, 26 June 1897); Dutt, *Speeches II*, p. 82; L. M. Ghose in *CPA*, p. 781.

29. G. S. Iyer, *Rep. INC for* 1901, p. 121. Also *Madras Standard*, 28 May (*RNPM*, 1 June 1901).

30. G. S. Iyer, *Rep. INC for* 1901, p. 122. Wacha remarked in 1899: 'Indigenous wealth alone can be fruitful. That capital only will increase

In the opinion of its critics, foreign capital was basically anti-national because instead of helping and encouraging Indian capital it was replacing and suppressing it.[31] Even in a field like banking where no foreign technique or machinery was needed and where an Indian had 'a natural claim to succeed', foreign enterprise was driving out Indian enterprise.[32] Indian entrepreneurs found all their efforts blocked by foreign capitalists.[33] Just as unrestricted foreign imports had earlier destroyed the urban industries of India, foreign-owned enterprises were now busy destroying the rural handicrafts, and this competition from within was all the more dangerous as it based itself on the cheap labour of the country.[34] To those who asked where was the harm if the foreigners developed resources which would otherwise remain undeveloped, the critics replied that the harm would be visited upon the coming generations. Later, after many years, when Indians would be in a position to mobilise and invest large quantities of capital, they would discover that most of the openings for industrial enterprise had already been adversely occupied by foreign capitalists and that there was little scope for new undertakings in the field; for the petty gains of today, the entire future would have been bartered away. This must not be allowed, they said. Nobody, not even the present generation of Indians, had the right to alienate permanently the industrial field and thus sacrifice the future and permanent interests of the nation.[35] They also refuted Lord Curzon's remark that 'the whole industrial and mercantile world is one great field for the tiller to till: and if

further capital. The process may be slow but it will be sure' (*Rep. INC for* 1899, p. 59).

31. *Bharat Mihir*, 17 July (RNPBeng., 21 July 1883); Joshi, *op. cit.*, pp. 682, 700; Naoroji, *Speeches*, Appendix pp. 55-6; *Hindu*, 23 Feb. 1900; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18664, EA, Appendix p. 2.

32. Joshi, *op. cit.*, p. 682.

33. Joshi, *op. cit.*, p. 742; Wacha in CPA, p. 626; *Madras Standard*, 28 May (RNPM, 1 June 1901).

34. Joshi, *op. cit.*, pp. 756, 779, 789; G. S. Iyer, EA, p. 257.

35. Joshi, *op. cit.*, pp. 673, 700, 739-40, 746; Gokhale, *Welby Commission*, Vol. III, Qs. 18140, 18145: *Madras Standard*, 28 May (RNPM, 1 June 1901); G. S. Iyer, *Rep. INC for* 1901, p. 74, EA, pp. 123, 127.

the man who lives on the spot will not cultivate it with his own spade, then he has no right to blame the outsider, who enters with his plough.'[36] The industrial field in India, whether occupied or not, belonged, they averred, to the Indian people alone and to nobody else.[37] They turned round and asked:

> If the Viceroy's reasoning be correct one would like to know the causes of the outbursts against the Indians in Australia and South Africa, against the Chinese in America, against the inroads of American capitalists in England and against the influx of cheap goods into markets which are regarded by the British as their sole monopoly. Even Lord Curzon disallowed the American Oil Company from working the oil mines of Burma. Why?—if it was not for the same reason that our people object to foreign exploitation.[38]

In reality, these critics of foreign capital could never believe that industrial development in India would not be possible without the intervention of foreign capital.[39] They did not accept that the country faced Hobson's choice: either to utilise foreign capital or to have no capital at all. According to them, the real choice lay between foreign capital and indigenous capital, even if the latter took some time in emerging and maturing. The advent and use of foreign capital would in truth, they felt, deprive India of its capital or at least delay its emergence.[40]

Another reason advanced by the critics of foreign capital in opposing its use was that it drained the country of its wealth, since the foreign enterprises sent out of India all their profits and not merely the interest on capital.[41] They admitted that the

36. Curzon, *Speeches III*, p. 141.

37. Joshi, *op. cit.*, p. 673; G. S. Iyer, *EA*, p. 123.

38. Editorial in *HR*, Feb. 1903, pp. 193-4. Also G. S. Iyer, *EA*, p. 124.

39. See, for example, G. S. Iyer, *EA*, p. 124. For the assumption itself, see Curzon, *Speeches III*, p. 140.

40. See below, and Chapter XIII on 'The Drain'.

41. This view, though most vigorously and extensively expounded by Dadabhai Naoroji, the prophet of the 'drain' theory was widely supported by other Indian leaders of the period. See Naoroji, *Poverty*, pp. 38, 54, 567-8, *Speeches*, pp. 250-1, 397-8, 595-6, 614, Appendix pp. 7-8, in *India*, 2 Sept.

foreign capital investments in the United States of America, or in England, or in many other independent countries produced direct economic benefits to the people and the nations concerned, while the only cost borne by them was the payment of interest on foreign capital.[42] But, they pointed out, owing to their peculiar economic and political circumstances, the Indian people enjoyed none of the benefits of foreign capital and had to bear, on the contrary, all its disadvantages. What were these peculiar circumstances?

Firstly, the import of foreign capital was not voluntary but was forced upon India as a consequence of foreign rule. High taxation and large material drain from India, both being the direct results of British rule, left little money in the pockets of the people and carried away the potential capital of the country, making its accumulation nearly impossible. And since the Indian people could not, because of paucity of capital, take up new industries, the foreigners came and took possession of the field. Through this mechanism, Indian enterprise was first handicapped and then foreign capital was forced upon the country under the garb of economic

1904; *Mahratta*, 30 Jan. 1881; *Hindu*, 6 Oct. 1885, 23 Feb. 1900; Joshi, *op. cit.*, pp. 756-7; Ray, *Poverty*, p. 126; Gokhale, *Welby Commission*, Vol. III, Qs. 18140, 18142, 18170, 18176; G. S. Iyer, *Rep. INC for 1898*, p. 107, *Rep. INC for 1901*, p. 121, EA, p. 128; *Hitavadi*, 10 Feb. (*RNPBeng.*, 18 Feb. 1892); Wacha, *Rep. INC for 1899*, p. 59; *Champion*, 30 July (*RNPBom.*, 5 Aug. 1899); *Swadesamitran*, 22 Jan. (*RNPM*, 26 Jan. 1901); *Bengalee*, 25 May 1901; *New India*, 18 Nov. 1901; *Mahratta*, 7 Dec. 1902.

42. Naoroji, *Poverty*, p. 194; *Bengalee*, 25 May 1901. Chiding the Indian nationalists, Lord Curzon said in 1903: 'To me the argument that the influx of foreign capital into India is a source of impoverishment, and that it draws away the wealth of the country, has always seemed to be a foolish and a dangerous illusion.... When Great Britain poured her wealth into South America and China, I have never heard those countries complain that they were being ruined. No one pities Egypt when a foreign nation resuscitates her industries and dams the Nile. It was foreign capital and foreign brains that exploited the industries of Russia, which are now beginning to be a source of such profit to that country. When America floods England, as she is doing, with the resources of her accumulated capital, her amazing inventiveness, and her commercial genius, none of us at home sits down and bewails our cruel lot at being bled by a foreign drain' (*Speeches*, Vol. III, pp. 140-1).

necessity.[43] Thus, said the Indian leaders, foreign capital came to India not to augment native capital but to suppress it, not to serve it but to become its master, not to develop Indian resources but to despoil them.

Secondly, the critics pointed out that foreign capital superceded Indian capital not because it was economically more efficient or because Indian capital was shy while foreign capital was more venturesome, but because while foreign capital was coaxed by the British regime in India to come and was then helped by all sorts of concessions, inducements and special privileges, e.g. guarantees of profit, free or cheap land, and administrative and legislative measures to protect its interest; the native capitalists were cold-shouldered, refused all such concessions, and asked to fend for themselves. Thus, there was no fair or equal competition between the indigenous and foreign capital, foreign capitalists being given unfair advantages over Indian capitalists.[44]

Thirdly, the critics argued that, while the evils of foreign capital were balanced to some extent in other countries by the fact that it at least represented an addition to the scarce internal capital resources through the import of foreign funds, in the case of India, investment of foreign capital did not result even in any transfer of new foreign funds to this country since it was not a genuine but a spurious flow of foreign capital. It was not in reality capital accumulated by foreign investors

43. Naoroji, *Speeches*, pp. 152-3, 319, 382, 595, Appendix pp. 5, 7-8, *Poverty*, pp. 34, 38, 135; Dadabhai Naoroji and Gokhale, *Welby Commission*, Vol. III, Qs. 18168-9, 18183-4; *Hindu*, 23 Feb. 1900; and Chapter XIII on 'The Drain'. In his statements submitted to the Welby Commission, Dadabhai wrote: 'First the unrighteous and despotic system of Government prevents British India from enjoying its own produce or resources, and renders it capitalless and helpless. Then, foreign capitalists come in and complete the disaster' (*Speeches*, p. 382); and 'We have no choice; the whole position is compulsory upon us. It is no simple matter of business to us' (*ibid*, p. 319).

44. *Mahratta*, 30 Jan. 1881; Joshi, *op. cit.*, pp. 699-700, 786-825; Naoroji, *Speeches*, Appendix p. 57; *Hitavadi*, 10 Feb. (*RNPBeng.*, 18 Feb. 1899); *Bengalee*, 10 June 1901; *Advocate*, 27 Nov. (*RNPUP*, 29 Nov. 1902); G. S. Iyer, EA, pp. 119-22, 132, 160-5; *Rangalaya*, 18 Feb., *Hitavadi*, 20 Feb. (*RNPBeng.*, 28 Feb. 1903); *Indian People*, 27 Feb. 1903.

out of the resources of their own country but Indian capital first drained out of the country through foreign-controlled trade, banking and industries, and administrative expenditure and partly returned as investment-capital. Viewed from the angle of national accounts the entire transaction was merely a juggling of figures on paper.[45] That India imported no real funds from abroad was also borne out by a study of the country's balance of trade. It must be remembered, pointed out Dadabhai Naoroji in 1887, that India had a net export surplus after all the foreign loans and investments had been accounted for in the net imports.[46] India was, thus, in the unenviable position of being exploited by its own capital. 'So that, if the Indian people helped the British nation in their own political subjugation in bygone times, they are also now helping it in accomplishing their own economic prostration'.[47] Interestingly, this return of the previously drained out wealth of the country as foreign capital and the reinvestment of the profits of foreign enterprises in India confronted many Indian leaders with a dilemma and made them take up a position towards foreign capital which appears to be internally inconsistent. On the one hand, they opposed the export of the

45. Naoroji, *Poverty*, pp. 227, 567-9, *Speeches*, pp. 250, 382-3, 397, 615, Appendix p. 7, Speech at Portsmouth, reported in *India*, 20 March 1903, p. 140; Speech at the International .Socialist Congress, reported in *India*, 2 Sept. 1904, p. 116; *Madras Standard*, 28 May (RNPM, 1 June 1901); G. S. Iyer, EA, pp. 127-8, 166, 268, and 'Lord Curzon's Budget Speech', HR, April 1903, pp. 318-9; *United India*, 24 Feb. (VOI, 14 March 1903). The British rulers, wrote Dadabhai Naoroji, 'first "plunder" India, leaving it wretched and helpless, then bring back a portion of "plundered" India's wealth as their own, exploit therewith India's resources of land and labour' (*Poverty*, p. 568). Cf. Jenks, *op. cit.*, p. 208: 'So in the middle of the nineteenth century, residents of England were in possession of plantation mortgages, shares in the mercantile and banking establishments, and rupee loans, which had been brought there from time to time as Indian officials returned to educate their children or to enjoy a quiet old age. These interests represented simply portions of the Indian spoil and revenue reinvested in India. They did not constitute an export of British capital. Only the income from them entered into the commercial balances. There it went to swell the annual economic drain upon India'.

46. Naoroji, *Speeches*, pp. 382-3. Also see his *Poverty*, p. 133.

47. G. S. Iyer, 'Lord Curzon's Budget Speech', HR, April 1903, p. 319. Also see Naoroji, *Poverty*, p. 567; G. S. Iyer, EA, p. 268.

profits of foreign capital, on the other, they did not favour the ploughing back of these profits because that itself would increase the total amount of profits and, consequently, the drain of wealth in future.[48] This inconsistency was inherent, however, in the very nature of things, and was not the result of the faulty thinking processes of the Indian leaders. The latter only correctly, and dialectically, apprehended this complex phenomenon which was riven by internal contradictions.[49] They pointed out that the reinvestment of the profits of foreign capital gave birth to the never ending process of 'self-expanding drain' that could not be broken at any end. 'First of all, British India's own wealth is carried away out of it', wrote Dadabhai Naoroji in 1887, 'and then that wealth is brought back to it in the shape of loans, and for these loans British India must find so much more for interest; the whole thing moving in a most vicious and provoking circle'.[50] Consequently, their answer to the problem was also a dialectical one. The choice, they said, lay not between accepting or tolerating one or the other of the two evils of export of profits or their reinvestment but between tolerating both the evils by swimming along the vicious circle and transcending the circle by stopping the drain of wealth and depending primarily on native capital for industrial development, and thus escaping both the evils.

48. See f.n. 50 below.

49. 'So our condition is a very anomalous one—like that of a child to which a fond parent gives a sweet, but to which, in its exhausted condition, the very sweet acts like poison, and, as a *foreign substance*, by irritating the weak stomach makes it throw out more, and causes greater exhaustion. In India's present condition the very sweets of every other nation appear to act on it as poison' (Naoroji, *Poverty*, p. 54).

50. Naoroji, *Speeches*, pp. 615-6. Expressing the same sentiments, B. C. Pal wrote in 1901: 'Foreign capitalists are exploiting our resources and appropriating dividends to the tune of 10 and 15 per cent per annum, thus doubling their capital in from 7 to 10 years' time which, being employed in the further exploitation of our country, will be adding continually fresh burdens upon us, to the perpetual draining of our natural wealth and the eternal impoverishment of our starving population' (*New India*, 18 Nov. 1901). Also see Naoroji, *Poverty*, pp. 38, 567, *Speeches*, p. 397, Appendix pp. 6-7, and Speech at the International Socialist Congress, *India*, 2 Sept. 1904, p. 116; *Madras Standard*, 28 May (*RNPM*, 1 June 1901); *Bengalee*, 1 June 1901; G. S. Iyer, *EA*, p. 128.

The Indian leaders also pointed out that the advantages accruing to India from the development of its new resources with the help of foreign capital were confined, because of its peculiar political and economic circumstances, to the creation of additional employment opportunities for a small part of its vast population and the resultant increase in the national wage fund.[51] Even of this meagre additional employment a lion's share went to the foreigners who monopolised nearly all the high-salaried supervisory and higher posts in the construction as well as the operation of these foreign enterprises.[52] Unfortunately, this was equally true of the state undertakings.[53] This fact not only deprived Indians of their legitimate share of additional employment opportunities and increased consumption,[54] but also produced certain other, more important and farreaching evils. Most of these foreigners remitted abroad large parts of their salaries, thus depriving India of a fruitful source of capital accumulation and investment.[55] Moreover, their employment prevented Indians from getting advanced training in industrial technique and business management; and, thus, one of the vaunted benefits of the use of foreign capital was not derived in practice, 'and all the knowledge and education that a thriving industrial occupation confers on the people are lost'.[56] In addition, part of the new employment was created not in India but, through the home establishment of the foreign enterprise, in the investing country itself.[57] The critics of foreign capital further complained that the few Indians who did get additional employ-

51. Naoroji, *Poverty*, p. 228; Joshi, *op. cit.*, pp. 699, 779; Ray, *Poverty*, pp. 322, 324; Gokhale, *Welby Commission*, Vol. III, Qs. 18140, 18156, 18171, 18176; G. S. Iyer, *Rep. INC for 1898*, p. 107, and in HR, June 1901, pp. 445, 447; Wacha, *Rep. INC for 1899*, p. 59; *Swadesamitran*, 22 Jan. (RNPM, 26 Jan. 1901); *Hindu*, 13 June 1904.

52. Naoroji, *Poverty*, pp. 54, 194, 228; S. N. Banerjea in CPA, p. 270.

53. Naoroji, *Poverty*, p. 228.

54. *Ibid.*, pp. 194, 228.

55. *Ibid.*, pp. 54, 194, 228.

56. *Hindu*, 6 Oct. 1885. Also, Joshi, *op. cit.*, pp. 756, 779; Naoroji, *Speeches*, p. 398.

57. Naoroji, *Poverty*, p. 194.

ment as coolies and unskilled labourers in foreign-owned plantations, mines, factories, and railways, were paid at abysmally low rates of wages, most of them having to work at the mere pittance of one or two annas a day which was barely sufficient, if at all, to maintain their miserable existence.[58] This state of affairs practically amounted to the Indian people getting reduced to 'a dead level mass of labourers',[59] a nation of 'drawers of water and hewers of wood',[60] even 'a nation of slaves'.[61] In their own country, Indian labourers had to be satisfied with 'the helot's position'.[62] In reality, said Dadabhai Naoroji, 'they simply acted as mere slaves, to slave upon their own land, and their own resources in order to give away the products to the British capitalists'.[63] Even so, some of the Indian critics were willing to welcome the creation of new employment opportunities by foreign capital provided it was clearly understood that this would not by itself mean any real economic development of the country.[64] In any case, it was further pointed out, the Indian people could not be expected to remain satisfied with the petty wages they received as labourers in foreign enterprises; some day they would definitely protest against the notion that they were destined to remain, for ever, a nation of humble labourers and coolies.[65]

The opponents of foreign capital further expressed the view that the wages received by Indians as labourers were, according to any criterion, a small and inadequate compensation for

58. Naoroji, *Speeches*, p. 614; Ray, *Poverty*, p. 322; Wacha, *Rep. INC for* 1899, p. 59; *Swadesamitran*, 22 Jan. (*RNPM*, 26 Jan. 1901); G. S. Iyer, *Rep. INC for* 1901, p. 121.

59. Joshi, *op. cit.*, p. 70.

60. *Ibid.*, p. 757; Naoroji and Gokhale, *Welby Commission*, Vol. III, Q. 18170; Naoroji, *Speeches*, Appendix p. 7; and f.ns. 21 and 22 above.

61. G. S. Iyer in *Indian Review*, Feb. 1902, p. 83. See also Ray, *Poverty*, p. 324.

62. *New India*, 26 Aug., 2 Sept. 1901.

63. Speech at Portsmouth in *India*, 20 March 1903, p. 140.

64. Joshi, *op. cit.*, pp. 699-700; G. S. Iyer, *Rep. INC for* 1898, p. 107, in *HR*, April 1903, p. 320; Dutt, *Speeches II*, p. 82.

65. *United India*, 9 June (*Indian Spectator*, 9 July 1904); G. S. Iyer, *Rep. INC for* 1901, p. 121.

the exploitation of their resources[66] and the destruction of their indigenous industries.[67] This was self-evident in the case of extractive industries. It was also true to some extent of the plantation industries. Looked at from this angle, said the critics, foreign exploitation of the mineral resources of the country was most serious as it meant the permanent loss of national resources which, once exhausted, could never be restored.[68] It would be much better if the mineral wealth of the country remained buried and undeveloped, to be exploited later by the Indians themselves, than that it should be carried away by the foreigners.[69] A truly Indian government, it was said, could have been expected to assure at least this much.[70] Similarly, the plantation industries also exhausted the soil.[71] Moreover, in their case, remarked G. V. Joshi, an additional injustice was done to India. Most of them were initially developed by the state at public expense and later handed over without any compensation to the foreigners who also got the land at nominal prices. Very little foreign capital was in fact invested in them. They could have been with equal ease handed over to Indian enterprise.[72]

In the eyes of Indian leaders, economic evils of the use of foreign capital were matched only by the serious political danger emanating from it.[73] The essence of this line of criticism was the belief that penetration of a country by foreign capital inevitably led to its political subjugation; or as Ranade put it: 'Commercial and Manufacturing predominance natu-

66. Joshi, *op. cit.*, p. 699; *Bengalee*, 25 May 1901; *New India*, 26 Aug. 1901.

67. G. S. Iyer, EA, p. 249.

68. Joshi, *op. cit.*, p. 788; *Bengalee*, 1 June 1901, 17 Feb. 1903; G. S. Iyer. *Rep. INC for 1902*, pp. 73-4, EA, p. 127; *Hindu*, 13 June 1904; *Kesari*, 9 May (RNPBom., 13 May 1905).

69. *Bengalee*, 1 June 1901; Dadabhai Naoroji's letter to J. N. Tata, dated 16 Sept. 1902, quoted in Masani, *op. cit.*, p. 448.

70. *Bengalee*, 17 Feb. 1903; G. S. Iyer, EA, p. 127.

71. *Bengalee*, 1 June 1901.

72. Joshi, *op. cit.*, pp. 698-9.

73. See, for example, Joshi, *op. cit.*, p. 700; *Hindu*, 10 Oct. 1885; *Madras Standard*, 28 May (RNPM, 1 June 1901); *Bengalee*, 10 June 1901.

rally transfers political ascendancy'.[74] This causal relationship emerged from the fact that, in course of time, foreign capital created vested interests—'a dominating foreign aristocracy'[75] —who invariably came to wield an ever increasing and dominating influence over the administrative policies of the country.[76] 'Where foreign capital has been sunk in a country', wrote *The Hindu*, in its issue dated 23 September 1889, 'the administration of that country becomes at once the concern of the bondholders.'

The Indian leaders held that this political danger increased manifold in countries like India where there already existed foreign political domination. In such a case, the foreign vested interests adopted a hostile attitude towards the legitimate political aspirations of the people and stood in the way of their national political advancement.[77] With rare political insight, *The Hindu* had predicted in its issue dated 23 September 1889 that if during the period of political reforms 'the influence of foreign capitalists in the land is allowed to increase, then adieu to all chances of success of the Indian National Congress, whose voice will be drowned in the tremendous uproar of "the empire in danger" that will surely be raised by the foreign capitalists.'[77a] Later, when political reaction set in under Cur-

74. Ranade, *Essays*, p. 186.

75. Joshi, *op. cit.*, p. 673.

76. Joshi wrote in 1885: 'Politically speaking, if we do not misread history, power must gravitate towards property and wealth, and a strong foreign mercantile interest in the country would not fail to be a very troublesome active factor in the State; it would always be disposed to use the power and influence it could command for its own selfish aims, and dominate the action of Government in its own favour' (*op. cit.*, p. 740). Also see *ibid.*, p. 700; *Bengalee*, 10 June 1901.

77. *Madras Standard*, 28 May (*RNPM*, 1 June 1901); *Bengalee*, 10 June 1901.

77a. See Lord Dufferin's Minute dated 6 Nov. 1888: 'To these obligations must also be added the duty of watching over the enormous commercial interests of the mother country, represented by a guaranteed capital of over 220 millions of pounds sterling which, to the great benefit of India, has been either lent to the State or sunk in Indian railways and similar enterprise; for, however freely we may admit that India should be primarily governed in the interests of the Indian people, it would be criminal to ignore the responsibility of the Government towards those who have

zon and became so strong as to be noticed by nearly every Indian public man, the *Bengalee* of Surendranath Banerjea most pertinently observed that the basis of this reaction was the influence exercised by foreign capital in India.[78] As a matter of fact, many of the Indian leaders had, by the beginning of the 20th century, not failed to notice and point out the close connection between the Indian Government and the British capitalists in India and the subordination of the former to the interests of the latter. This point of view was put forth explicitly and with vigour in 1903 by the *Indian People* of Allahabad, edited at the time by Sachchidanand Sinha:

> Their work of administration on Lord Curzon's testimony is only the handmaid to the task of exploitation. Trade cannot thrive without efficient administration, while the latter is not worth attending to in the absence of profits of the former. So always with the assent and often to the dictates of the Chamber of Commerce, the Government of India is carried on, and this is the 'White Man's Burden.'[79]

sunk large sums of money in the development of Indian resources on the faith of official guarantees, or who have invested their capital in the Indian funds at the invitation of the Imperial Indian authorities. The same considerations apply in almost equal force to that further vast amount of capital which is employed by private British enterprise in manufacturers, in tea-planting, and in the indigo. jute and similar industries, on the assumption that English Rule and English Justice will remain dominant in India' (*Governor-General's Despatch to Secretary of State*, No. 67, dated 6 Nov. 1888).

78. The *Bengalee* of 10 June 1901 wrote: 'It is this increasing outlay of British capital in the country and the complex interests that it has created which really obstruct the full and free play of British instincts and British traditions in the Government of India. It is this which is really responsible for the policy of reaction that has been characterising the British Indian administration of late years.... The real reason why our representatives are not allowed a hand in the manipulation of the Budget is the apprehension lest such a right, if granted to them, should lead to the passing of measures, not exactly consistent with the interests of the foreign exploiters.'

79. 27 Feb. 1903. Similarly, B. C. Pal wrote in the *New India* of 4 November 1902: 'It has repeatedly been avowed by the Government of India that they desire to draw as much of British capital into India as they can, for the so-called development of the natural resources of the country; and having thus invited British capital here they are morally bound to give it and its agents all the protection that may be needed by them. The ultimate motive that works the exclusion of the Indian representatives from the right to vote on the Budget is also to be found here....' In the *New*

And even Ranade remarked that foreign economic domination had made foreign political domination 'more invidious'.[80]

Many of the Indian leaders were, of course, conscious of the other side of the picture, namely, that it was foreign rule which made foreign capital the enormous evil that it was in India. If India had been a free country—free of the drain, free to develop its resources according to its own needs, free to compete with foreign capital on equal terms, free to replace it after it had served its purpose, and free to have an independent administration which would encourage and help native enterprise—the use of foreign capital to supplement native efforts might have proved beneficial, as in the case of other free countries like the United States.[81]

Most of the Indian leaders, however, agreed, as a result of their understanding of the economic and political repercussions of the employment of foreign capital, on one point, viz., that even if foreign capital was required by India, the foreign capitalists were not. They fully understood and underlined the distinction between loan capital and entrepreneurial capital.[82] While the latter would reap and carry away all the profits of the enterprise and 'monopolize and appropriate the whole field',[83] the former would be entitled only to a fixed and stipulated amount as interest, thus leaving the remaining pro-

India of 11 December 1902, he wrote: 'It goes without saying that it is foreign capital that rules the roost not only in poor Bengal but in the whole continent of hapless India'. The *Bengalee* of 14 Feb. 1903 commented that the Government of India was 'in the hands of the Chamber like the clay with which the potter manipulates.' Also see, *Hindu*, 6 March 1899; *Madras Standard*, 28 May (*RNPM*, 1 June 1901); *Bengalee*, 10 June 1901; *Rangalaya*, 18 Feb., *Hitavadi*, 20 Feb., *Basumati*, 21 Feb. (*RNPBeng.*, 28 Feb. 1903); *Sanjivani*, 5 March (*RNPBeng.*, 14 March 1903); G. S. Iyer, *EA*, pp. 120-2.

80. Ranade, *Essays*, p. 66.

81. Naoroji, *Poverty*, pp. 34, 135, 567-8, *Speeches*, p. 322, Appendix pp. 55-6; Gokhale, *Welby Commission*, Vol. III, Q. 18170; G. S. Iyer, *ibid.*, Qs. 19636, 19640-1, 19644, *Rep. INC for* 1901, pp. 121-2; *Madras Standard*, 28 May (*RNPM*, 1 June 1901).

82. 'There is quite a world of difference between the development of a country with the help of foreign capital and the exploitation of its resources by foreign capitalists' (*Bengalee*, 25 May 1901).

83. Joshi, *op. cit.*, p. 739.

fits—and after the principal had been repaid, all the profits—within the country itself. In case of need, therefore, foreign funds might be borrowed and foreign technicians employed to promote native enterprise; but no direct foreign investments, no direct proprietary operations by foreign capitalists should be permitted.[84] 'India sorely needs the aid of English capital', wrote Dadabhai Naoroji, 'but it is English *capital* that she needs, and not the English invasion to come also and eat up both capital and produce.'[85]

There were, however, two flaws in this approach. The Indian capitalists possessed neither enough capital to start most of the new large-scale industries and mining and transport undertakings nor adequate credit in foreign capital markets to be able to borrow adequate funds. How could the foreign capitalists, then, be prevented from coming over to India in person and taking permanent possession of most of the industrial field? Two of the foremost Indian economic thinkers of the 19th century, Dadabhai Naoroji and G. V. Joshi, came up with a novel answer to this problem, namely, nationalisation. Foreshadowing in a remarkable manner the approach that the Government of a free India was to adopt more than 60 years later, they suggested that the only way to reap the advantages of foreign capital without having to suffer its harmful economic and political consequences was the nationalisation of those industries which, due to their size, could not be started and worked by Indian entrepreneurs and which consequently required enormous foreign capital. In such circumstances, the state could borrow money abroad at low rates of interest on the security of its revenues and employ it for the development of the natural resources of the country.[86] It should, however,

84. This entire line of argument is developed in Naoroji, *Poverty*, pp. 228-9; Joshi, *op. cit.*, pp. 673, 739; *Mahratta*, 30 Aug. 1891; *Madras Standard*, 28 May (*RNPM*, 1 June 1901); *Bengalee*, 25 May 1901; G. S. Iyer, *Rep. INC for 1901*, pp. 121-2. According to D. G. Karve, Justice Ranade was also of the same view. See his *Ranade, the Prophet of Liberated India*, p. xxix.

85. Naoroji, *Poverty*, p. 229.

86. Dadabhai wrote in 1881: 'Now, under the peculiar circumstances of India's present prostration, State works would be, no doubt, the best means

be kept in view that nationalisation was projected here merely as a measure to bar the entry of foreign capitalists and had no other purpose such as the introduction of socialism. As a matter of fact, this was projected as a short term measure of state-capitalism till Indian enterprise had revived and developed to the desired extent, when these industries might be handed over to the native capitalists.[87]

In conclusion, we may observe that, firstly, the Indian national leaders, whether opposing or supporting the use of foreign capital, had a clear grasp of the economic and political causes and consequences of foreign investments in India. Secondly, the entire national leadership was firmly of the view that real economic strength of the country lay in industrial development based upon Indian effort and Indian capital. Even those Indians who favoured the use of foreign capital did so on the understanding that it was the lesser of the two evils—the other and bigger evil being no industrialisation at all. Most of the Indian leaders would rather consent to a postponement of industrial development rather than let it be accomplished through the instrumentality of foreign capital. Thus, the point of view of the compradore was more or less entirely absent in

of securing to India the benefits of English capital.... The plan by which India can be really benefited would be that all kinds of public works or mines, or all works that require capital, be undertaken by the State, with English capital and *Native* agency, with so many thoroughly competent Europeans at the head as may be absolutely necessary' (*Poverty*, p. 228). See also *ibid.*, p. 229. For Joshi's views, see his *Writings and Speeches*, pp. 672-3 and 746. See also, *New India*, 16 December 1901. Quite interesting is an even earlier view of the *Bombay Samachar* of 18 May 1880. Objecting to foreign ownership of the recently-discovered gold mines in India, it opined that since the people of the country were unable to form a company of their own, the task of working the mines should be undertaken by the Government 'in the interests of the people'. Moreover its profits could be used to lessen the burden of taxes on the people (*RNPBom.*, 8 May 1880).

87. Joshi, *op. cit.*, pp. 672-3, 698; Naoroji, *Poverty*, p. 229. At the same time, Joshi was shrewd enough to note, and protest against, the tendency of the Government of India to develop enterprises like plantations with *Indian* funds and at *Indian* risk and expense and then to hand them over to *foreign* capitalists at nominal prices (see p. 699). Also that in practice state help and subsidy were being extended not to Indian but foreign enterprise (p. 825).

the nationalist agitation of the period under study. It should also be noted that the nationalists on the whole supported the growth of industrial capital and not merchant capital. Thirdly, because the early extension of foreign industry, railways, etc., had indirectly encouraged the growth of Indian industry, hostility between the two had not yet become important or decisive and, consequently, it played a relatively minor role in the national economic agitation up to the end of the 19th century. For instance, the Indian National Congress remained absolutely silent on this question. No resolution dealing with the problem was mooted or passed at any of its sessions during the years 1885-1905, nor did any of the presidential addresses directly touch upon it. And the first Congress speech on the subject was made by G. S. Iyer in the session of 1898. With the dawn of the 20th century, however, Indian industrial effort began to outgrow the period of infancy and to come into conflict with the foreign capitalists, who had found in Lord Curzon a vigorous advocate and promoter of their enterprise. As a result writers in the nationalist press and orators on the Congress platform began to make, after 1900, frequent and vehement attacks on foreign capital.

II. ROLE OF THE STATE

State aid and intervention might compensate for the lack of knowledge, energy and finances of the Indian entrepreneurial class and the absence of protection and help it in overcoming the initial difficulties in the path of industrialisation. Hence, the Indian leadership was more or less unanimous[88] in strongly advocating state aid in the process of industrialisation. It firmly believed that the Indian economic situation would not improve without a comprehensive policy of state-assistance extending to every field of industrial effort, without

88. The only important exception we have come across is the following passage in the *Bengalee* of 28 July 1883: 'Nor do we clearly see how a Government can foster trade and commerce except in a remote sense, and by the withdrawal of laws which hamper them.'

a state policy of direct, deliberate and systematic promotion of industrial enterprise, both indigenous and modern, in every form and shape. Though the view was expounded at length by the economists among Indian leaders much later, the demand for 'encouragement of the manufactures and commerce of the country' was first raised as early as 1853 in a memorial submitted by the British India Association of Calcutta to the House of Commons, at the time of the renewal of the Charter of the East India Company.[89] A plea for direct financial and other assistance to private industry by the government was made by the Second Industrial Conference held at Poona in 1891.[90] The Congress took up the demand in 1902 when it recommended that 'practical steps in the shape of State encouragement be taken for the revival and development of indigenous art and manufactures and for the introduction of new industries'.[91] Among the Indian leaders, G. V. Joshi and Ranade were perhaps the most consistent and vocal supporters of this policy.[92] In this respect, the role of the

89. Quoted in Bholonath Chandra, *Raja Digamber Mitra* (2 Vols.) (Calcutta, 1896), Vol. I, p. 75.

90. *Mahratta*, 11 Sept. 1891.

91. Resol. III. Also see Resols. XIII of 1896, XIII of 1899, and VIII of 1901.

92. For G. V. Joshi's views, see his *Writings and Speeches*, pp. 743, 750, 785-6, 807. He wrote in 1885: 'First of all, we must have the Government thoroughly with us, heart and soul. Without its help in our present economic weakness and unpreparedness, we could hope to accomplish but little in the direction of national progress, in the face of such fierce competition as we are exposed to—Government must recognise the true wants of the nation and cordially identify itself with the cause of *national* industries' (*ibid.*, p. 743). See also *ibid.*, p. 746. For Justice Ranade's views, see the essays on 'Netherlands India and the Culture System', 'Iron Industry—Pioneer Attempts', and 'Industrial Conference' in his *Essays*. Also see, K. T. Telang, *Free Trade and Protection* (Bombay, 1877), p. 49; *Bombay Samachar*, 8 July (*RNPBom.*, 9 July 1881); *Mahratta*. 14 Feb. 1886, 22 Sept. 1895, 18 Nov. 1900, 30 March 1902; *Bangabasi*, 31 May (*RNPBeng.*, 7 June 1890); Malaviya, *Speeches*, p. 250. G. S. Iyer, *Welby Commission*, Vol. III, Q. 18661, and EA, p. 264; N.K.N. Iyer, *Rep. INC for* 1901, p. 138; *Hindu*, 21 Apr. 1902; *Vrittanta Chintamani*, 15 March (*RNPM*, 15 March 1900); P. Mehta, *Speeches*, p. 750; Dutt, *EHII*, p. xvii, *Speeches I*, p. 24, in *CPA*, pp. 490-1. One of the first acts of R. C. Dutt after becoming the Revenue Minister of Baroda was to promise in November 1904 to help the private enterprise for opening new industries. J. N. Gupta, *Life and Work of Romesh Chundra Dutt* (London, 1911), p. 402.

Japanese government after the Meiji Restoration in fostering modern industry was found to be, in the words of G. Subramaniya Iyer, 'of the greatest interest to leaders of Indian economic thought',[93] and was held up by them for emulation by the Government of India.[94]

In demanding state intervention in favour of industrial effort, the Indian nationalists came, however, into frontal clash with the theoretical and practical position maintained by the Government of India towards the Indian-owned industries. Basing themselves on the doctrine of *laissez-faire*, the British rulers held at the time that the 'Government was ill-qualified to further industrial development by direct action, and that all such matters should be left to private enterprise'.[95] Hence, during the period under study, state assistance to industry was meagre and took two forms—a wholly inadequate provision of technical education and a half-hearted attempt at the collection and dissemination of commercial and industrial information.[96] And the Indian demand for more direct and energetic action in this field earned from Lord Curzon, who claimed to be a staunch champion of industrial effort, a stern rebuke for imagining 'that, by any stroke of an enchanter's wand, the present Government or any Government of India can effect a revolution in the economic, social, or industrial conditions of

93. *Rep.* INC for 1901, p. 123.

94. *Ibid.*; *Mahratta*, 22 Sept. 1895, 18 Jan. 1903; Dutt, EHI, p. 289; Gokhale, *Speeches*, p. 28.

95. *Report of the Indian Industrial Commission*, 1916-18, p. 2. This policy was expounded in unambiguous terms by the Famine Commission of 1880, which, even though emphasising the great need for industrialisation of the country, considered it 'almost self-evident that such a change in the condition of the people could not be brought about by any direct action of the State, and that there would be much risk of interference of this description discouraging the spread of sound principles of trade, and retarding the operation of private enterprise.... it will, we believe, be by indirect means, such as the extension of railways and the development of local trade and foreign commerce, that the end will be attained, rather than by any attempts to give adventitious aid to particular branches of industry' (*Report of Indian Famine Commission*, 1880, Part II, Section VIII, paras 2 and 3).

96. *Report of the Indian Industrial Commission*, 1916-18, Chapter VIII; and Anstey, *op. cit.*, p. 210.

this vast continent'.[97]

In an endeavour to change the direction of the Government of India's policy in this respect, and believing that the rigidity of this policy was partially explained by the rulers' faith in, and their adherence to, the classical political economy, the nationalist economists launched a powerful theoretical attack on the validity of *laissez-faire* as a doctrine of state functions, particularly as applied to an economically backward country like India. A detailed account of this doctrinal attack on *laissez-faire* is contained in a later chapter of this study.

In addition, Justice Ranade, the economic genius of the Indian national movement of the day, appealed to the past and the present practices of the rulers of India as against their theoretical postures. He pointed out that the government had in the past taken a direct and active part in pioneering and promoting industrial and commercial enterprises and granting special privileges to British capitalists in India.[98] It had at first given state guarantees of profit to railway companies and later assumed the task of constructing state-railways.[99] It had pioneered, at state expense—and at great cost—the introduction of cinchona, tea, and coffee plantations in the country.[100] Apart from giving favourable concessions, it had spent considerable state funds in the form of geological surveys, experimental trials, and subsidies for the promotion of iron industry.[101] It had even worked for a long time several coal mines on its own account.[102] The principle of state aid being thus accepted in practice, why should similar aid not now be extended to other industrial enterprises? The situation did not demand the enunciation of any new principles, the only new factor in the equation to be determined being the nature of industries for which state aid might be utilised.

97. Curzon, *Speeches II*, p. 164.
98. Ranade, *Essays*, pp. 88, 165, 166 ff.
99. *Ibid.*, pp. 33, 86-7.
100. *Ibid.*, pp. 32, 89. Also see Joshi, *op. cit.*, pp. 743, 809.
101. Ranade, *Essays*, p. 165.
102. *Ibid.*, p. 94.

Instead of promoting plantations and means of transport, as in the past, it could now be more beneficially used for encouraging modern manufacturing industry in the country.[103]

State aid and encouragement to industry could take many and varied forms. The more important of these, whose adoption — singly or in combination as the need might arise — was advocated by many of the Indian leaders, are briefly examined below.

Since, in the Indian eyes, one of the biggest drawbacks in industrial development in India was the lack of adequate capital in the hands of Indian industrial entrepreneurs, governmental help was most vigorously sought for in the task of transforming the existing trading and moneylending capital into industrial capital. This was to be accomplished, firstly, by the reorganisation of the credit system along modern lines, so as to mobilise the existing, scattered internal resources of the country.[104] It was argued that since the self-growth of the credit system, depending as it did on mutual confidence between the borrowers and the lenders, was bound to be a very slow process, it was for the state 'as being the one depository in the country of vast funds and of universal credit and confidence... to utilise its agency and its credit to establish business relations between the saving and the borrowing classes by means of State aided or guaranteed banks of deposit and issue.'[105] What was wanted was a large network of joint-stock banks 'working under State direction, and control'.[106] For this purpose, the government need not spend a pie of its own; it should only 'give facilities, for the recovery of debts, make its

103. *Ibid.*, pp. 87-9, 91, 95. For example, see the following trenchant presentation of the position by Ranade: 'It does not lie in the mouth of those who advocate a vigorous Railway Policy to urge this objection, for if the principle be accepted, it follows that Government has no business to find Capital for Railways or Canals, or for Pioneering Tea or Coffee Enterprises' (*ibid.*, p. 91). Also see Joshi, *op. cit.*, pp. 747, 809; *Mahratta*, 18 Nov. 1900.

104. Joshi, *op. cit.*, pp. 797, 812; Ranade, *Essays*, p. 91.

105. Joshi, *op. cit.*, p. 797. Also *ibid.*, pp. 812, 826; Ranade, *Essays*, pp. 91-2, 190, 193; G. S. Iyer, *EA*, p. 155.

106. Joshi, *op. cit.*, p. 812.

district balances available to them (the banks), and provide controlling audit.'[107] Better still, the government could directly advance loans, at low rates of interest and under proper supervision, to private capitalists.[108] The government might borrow money for these loans or depend upon savings deposits.[109] In this connection Ranade made an interesting suggestion that the government or local bodies should create special financial corporations which would borrow money at low rates of interest from the government and advance loans to prospective industrialists.[110] Further, the government could emulate its policy of aid to railway companies and induce investment in new industries by guaranteeing the payment of a fixed minimum interest rate to Indians providing the capital.[111] The government could also help Indian capitalists in borrowing in the foreign markets on the basis of a government guarantee as in the case of railways.[112] And as a compensation for getting cheap credits, the government might assume the power to supervise and control such industrial establishments and even to share the profits at a later stage.[113] The government was asked to go even further and to directly subsidise the nascent industries of the country out of the state revenues and help them through bounties and grants-in-aid to overcome the initial difficulties in 'their struggling periods of birth and

107. *Ibid.* Also Ranade, *Essays*, pp. 190, 193; G. S. Iyer, *EA*, pp. 163-5.

108. Ranade, *Essays*, pp. 89, 92-3, 178, 193; Joshi, *op. cit.*, p. 797.

109. Ranade, *Essays*, p. 95; Joshi, *op. cit.*, p. 797. *The Indian Spectator* of 26 Oct. 1884 wanted the Government of India to borrow in England and lend in India.

110. Ranade, *Essays*, pp. 95-6.

111. *Ibid.*, p. 177. Also, *ibid.*, pp. 89, 169, 179, 189; Joshi, *op. cit.*, pp. 809-10; M. B. Namjoshi cited in *Mahratta*, 30 Aug. 1891; Resolution of the Second Industrial Conference, Poona, *Mahratta*, 11 Sept. 1891; *Hitavadi*, 10 Feb. (*RNPBeng.*, 18 Feb. 1892); *Swadesamitran*, 13 Oct. (*RNPM*, 17 Oct. 1903); G. S. Iyer, *EA*, p. 264. This guarantee was particularly needed for an industry like the Iron and Steel industry where 'no dividend can be expected for the first few experimental years', and where 'no capitalist would venture, unless the concessions are liberal, and a subsidy promised on the plan which helped the Guaranteed Railway Companies to obtain their capital' (Ranade, *Essays*, pp. 168-9).

112. *Mahratta*, 9 Aug. 1885; Joshi, *op. cit.*, p. 746.

113. Joshi, *op. cit.*, p. 747; Ranade, *Essays*, p. 137.

infancy'[114] so as to enable them to stand on their own legs.[115]

Another step urged upon the government by the Indian leaders was the reorientation of its policy relating to purchase of government and railway stores. These stores constituted a considerable part of the total imports of manufactured products into India and included such items as equipment for the Indian army and police, materials for civic improvement such as water, gas and sewage systems, hospital equipment and medical stores, steel and cement and other materials required for docks, bridges, buildings and roads, telegraph and telephone requirements, stationery and other materials consumed by the administration, and the largest of them all, tracks, bridges, rolling stock, and building materials for the railways. All but an insignificant part of these stores were purchased in England. As a result, the Indian leaders complained, the existing policy of store purchases discriminated against indigenous manufactures and favoured English manufactures instead. They argued that the government could, by transferring the orders for these stores to Indian manufacturers, and thereby guaranteeing a minimum and secure market for their products at remunerative rates, give a powerful impetus to Indian industrial efforts.[116] Interestingly enough, this demand was also

114. Joshi, *op. cit.*, p. 747.

115. *Ibid.*, pp. 648, 680, 689, 747-8, 810, 826; Ranade, *Essays*, pp. 89, 189, 193; *Hindu*, 23 March 1885; Resolution of the Second Industrial Conference, Poona, *Mahratta*, 11 Sept. 1891; *Mahratta*, 30 March 1902; Ray, *Poverty*, p. 143; G. S. Iyer, EA, p. 155.

116. The National Congress of 1887 asked the Government 'to encourage manufactures by a more strict observance of the orders already existing, in regard to utilising such manufactures for State purposes....' Resol. VII. See further *Indu Prakash*, 19 May (RNPBom., 24 May 1879); *Mahratta*, 19 June 1881, 13 Feb. 1887; *Indian Spectator*, 19 June (RNPBom., 25 June 1881); *Bombay Samachar*, 8 July (*ibid.*, 9 July 1881); *Bombay Chronicle*, 19 Nov., *Hitechchu*, 23 Nov., *Gujarati*, 19 Nov., *Bombay Samachar*, 20 Nov., *Akhbar Sowdagar*, 20 Nov. (*ibid.*, 25 Nov. 1882); *Lok Mitra*, 26 Nov. (*ibid.*, 2 Dec. 1882); *Rast Goftar*, 10 July (*ibid.*, 16 July 1887); ABP, 14 Apr. 1881, 23 March 1882; *Navavibhakar*, 20 June, 25 July (RNPBeng., 2 July, 6 Aug. 1881); *Charu Varta*, 4 July (*ibid.*, 16 July 1881); *Bengalee*, 11 March, 9 Sept. 1882; Memorandum of the Kasi Sarvajanik Sabha, *Report of the Finance Committee*, 1886, p. 451; *Mahratta*, 14 Feb. 1886; *Hindustani*, 7 Oct. (RNPN, 8 Oct. 1891); *Akhbar-i-Am*, 25 Oct. (RNPPN, 1 Nov. 1887); *Kesari*, 23 Sept.

backed by some of the British capitalists working in India, and it secured the approval of the Famine Commissioners of 1880, Lord Ripon's government and the Indian Industrial Commission of 1916-18.[117] This ultimately resulted in the orders being placed with the firms in India. Consequently, as early as 1898, the *Hindustan* of Lucknow was led to protest against the tendency of the government to place its orders with European, and not Indian, firms in India.[118]

The objection that not all the items of the stores were available or manufactured in India was met by some of the Indian leaders with an even more radical suggestion: let the government manufacture these items on its own.[119] This and other suggestions for direct government enterprise, which represented the greatest departure from the policy of *laissez-faire*, were advanced by several Indian writers on another ground also. They suggested that, in view of the innumerable and immense difficulties inherent in the starting of new industries, the government should pioneer them so as to 'test their practicability and remunerative character',[120] overcome the initial difficulties, chart out the path, and in general pave the way for, and afford encouragement to, private entrepreneurs to assume the task.[121]

(*RNPBom.*, 27 Sept. 1890); Ranade, *Essays*, pp. 178, 189-90, 193; K. G. Natu quoted in *Mahratta*, 30 Aug. 1891; Resolution of the Second Industrial Conference at Poona, *Mahratta*, 11 Sept. 1891; S. K. Nair, *Rep. INC for 1895*, p. 74; Ray, *Poverty*, pp. 39-40.

117. See address of the Traders' Association of Calcutta, 31 Jan. 1899, as referred to in Curzon, *Speeches I*, p. 33; *Report of the Indian Famine Commission*, 1880. The Industrial Commission came to the conclusion that in order to stimulate industrial progress 'a radical change should be made in the methods of purchasing in India Government and railway stores' (*Report of the Industrial Commission*, 1916-8, p. 149).

118. 30 June (*RNPN*, 6 July 1898).

119. *United India*, 11 Aug. (*VOI*, 31 Aug. 1884); *Mahratta*, 14 Feb. 1886; Ranade, *Essays*, pp. 189, 193; Joshi, *op. cit.*, p. 810.

120. Joshi, *op. cit.*, p. 743.

121. *Ibid.*, pp. 743, 813, 819-20; Ranade, *Essays*, pp. 32-3, 193; *Native Opinion*, 20 Dec. 1885; *Hindu*, 21 Apr. 1902. This was quite a popular suggestion with the native press of Bombay in the early 1870's. See, for example, *Gujerat Mitra*, 22 Jan. (*RNPBom.*, 27 Jan. 1871); *Jam-e-Jamsed*, 21 March (*ibid.*, 22 March 1873); *Shamsher Bahadur*, 12 April (*ibid.*, 12 April

The other important measures for the promotion of Indian industries, urged upon the government by the Indian leadership, were 'the creation of a separate portfolio of commerce and manufactures with a free hand to work up existing resources, and advise and help Government and private companies with the skill and knowledge of experts';[122] collection of information through surveys, etc., and its dissemination;[123] grant of tariff protection; removal of import duties on machinery; and promotion of technical education.[124] The Indian demand for state encouragement to the process of industrialisation reached its climax when G. K. Gokhale advocated some sort of state economic planning in 1903. In his budget speech of the year, he said: 'What the situation really demands is that a large and comprehensive scheme for the moral and material well-being of the people should be chalked out with patient care and foresight, and then it should be firmly and steadily adhered to, and the progress made examined almost from year to year.'[125]

While noting the remarkable clarity of the demand for state aid to industrial effort, it may be pointed out, in conclusion, that this demand was primarily articulated by the economists among the Indian leadership and was, in general, not vigorously pressed by the nationalist press or at the Congress sessions. This failure to work up enthusiasm for an obviously advantageous policy is perhaps explained by the prevalance of certain amount of scepticism whether a foreign government, however benevolent, could ever follow a policy which would go against the interests of the manufacturers of the home country. For example, while supporting the economic role of the state as

1873); *Bombay Samachar*, 16 Dec. (*ibid.*, 20 Dec. 1873). The *Mahratta* of 6 June 1886 asked the Government to undertake the development of the mineral resources of the country as this would help in the opening of other industries.

122. Resolution of the Second Industrial Conference at Poona, *Mahratta*, 11 Sept. 1892. Also Ranade, *Essays*, p. 178.

123. Ranade, *Essays*, p. 177; Joshi, *op. cit.*, p. 743; *Mahratta*, 22 Sept. 1895.

124. The last three measures are discussed in other parts of this study.

125. Gokhale, *Speeches*, p. 70.

defined by G.V. Joshi in his article on 'The Economic Situation in India' in the *Journal of the Poona Sarvajanik Sabha*, January 1890, the *Hindu* of 3 February 1890 wrote with incisive insight:

> It is the interest of the English nation to keep down native industries as much as possible, at any rate to do the least possible to encourage directly their development. The greatest benefit the English rulers look to and actually realise from their Indian dependency is the unlimited market that India supplies to their industrial products.... Under such a state of things it is impossible to expect Government to do anything like what the Poona writer suggests.

The *Bangabasi* of 31 May 1890 was, if anything, even more forthright:

> There can be no denying that the help of Government is absolutely necessary in reviving and improving the indigenous industries of the country.... But can any encouragement of Indian industry be expected from a Government, which is not only a Government of foreigners and of aliens in religion, but also the Government of a people who are themselves a manufacturing and a commercial people.... The fact is the English manufacturer cannot bear the sight of an Indian using even the most trifling articles of indigenous manufacture, and he will know no rest until he has swept the Indian market clean of all articles of Indian making.... And these English manufacturers are the English nation, whose interest, before that of all others, it is the object of English statesmanship to look after and secure.[126]

Similar doubts were expressed by many other spokesmen of Indian public opinion.[127] And, of course, these misgivings were

126. *RNPBeng.*, 7 June 1890.

127. R. C. Dutt wrote in 1901: 'It is possible to conceive that a Government, working with an eye to the advancement of the national industries, might have introduced these superior methods among the industrious and skilful people of India, as they have been introduced among the people of Japan within our generation. But it was hardly possible that foreign merchants and rival manufacturers, working for their own profit, should have this object in view, and the endeavour was never made' (*EHI*, p. 289). See

founded on their study of the actual British policies in India and the character of the colonial economy which dominated British thinking at the time. The British Indian Government had in practice, as opposed to its professions, they said, not only failed to help Indian industry but had done positive harm to it by assisting the foreign competitors, who had so completely prostrated it.[128] This was the best confirmation of their fears.

3. SWADESHI

One of the methods which over the years came to be popularly accepted and advocated by the Indian nationalists for checking the growing poverty of the country and encouraging Indian industries, both traditional and modern, was the propagation of the ideas of swadeshi. The swadeshi movement stood for the encouragement of the use of Indian-made manufactures and the non-purchase, rejection, or even boycott of foreign goods. Though the swadeshi movement made its first mark in the history of modern India in the course of the all-India agitation against the partition of Bengal in 1905, the ground for the instantaneous and wide acceptance of the swadeshi idea and for the dramatic success of the movement at this particular juncture had long been prepared in the preceding decades. The idea of, and the agitation for, swadeshi are, in reality, nearly as old as the rising national consciousness itself. Arising spontaneously and mostly in an unorganised and isolated manner, the swadeshi movement had gathered widespread support

also *Gujerat Mitra*, 22 Jan. (RNPBom., 28 Jan. 1871); Rajnarain Bose, quoted in *Studies in the Bengal Renaissance*, edited by A. Gupta (Cal., 1958), p. 210; Bholonath Chandra, MM, Vol. V, 1876, p. 12; Ray, *Poverty*, pp. 124-5; G. S. Iyer, EA, pp. 125-6; *Jami-ul-Ulum*, 28 June (RNPN, 7 July 1897); *Dacca Gazette*, 11 July (RNPBeng., 16 July 1904). Even Ranade, the great optimist in this respect, was forced to express occasional doubt and despair. For example: 'We cannot expect the Government here to do what France or Germany does for their Shipping Trade, and their Sugar Industry, and ask Government Bounties, and subsidies to be paid out of general Taxes.... it is useless to divert our energies in fruitless discussion' (*Essays*, p. 189).

128. Joshi, *op. cit.*, pp. 780, 786, 801; Dutt, EHI, p. 271. Also see above, Chapter II.

in its early years not from the recognised public associations of the period but from the vernacular press and from the local efforts of innumerable 'faceless' men. In view of the extreme paucity of the published materials on the subject, it would perhaps not be out of place to give here a short history of the years of infancy of the movement.

Gopalrao Deshmukh of Poona was one of the first Indian public men to advocate, as early as 1849, in the columns of the *Prabhakar,* the use of Indian products in place of the imported ones.[129] In Bengal the swadeshi movement may be traced back to the efforts of Nabagopal Mitra, who, in 1867, organised the Hindu or National Mela which regularly met once a year for nearly fourteen years. One of the major functions of the Mela, apart from its other nation-building activities, was the promotion of the use of indigenous manufactures by organising exhibitions of the products of Indian arts and crafts.[130] Nabagopal Mitra was inspired and supported in his endeavour in this field by Rajnarain Bose, the venerable *rishi* among the early Bengali nationalist leaders, who was also 'among the very first to encourage the use of indigenous clothes and other articles to the exclusion of foreign products'.[131]

The swadeshi idea gained greater popularity in the seventies of the 19th century. In 1870, the *Native Opinion,* conducted at the time by Vishvanath Narayan Mandlik, appealed to the patriotic feelings of the people and advised them to buy things from their own countrymen, even at a higher rate.[132] In 1872, Ranade delivered a series of public lectures at Poona on economic topics, in which he popularised 'the idea of Swadeshi, of preferring the goods produced in one's own country even though they may prove to be dearer or less satisfactory than finer foreign products'.[133] These celebrated lectures so inspired

129. Ram Gopal, *op. cit.,* pp. 15-6.
130. Shivanath Sastri, *Men I have Seen* (Cal., 1919), p. 199.
131. Bipin Chandra Pal, *Memories of My Life and Times* (Cal., 1932), p. 264. Also Shivanath Sastri, *op. cit.,* p. 200.
132. 3 July (RNPBom., 9 July 1870).
133. Karve, *op. cit.,* p. xx.

the listeners that several of them including Ganesh Vasudeo Joshi,[134] who was popularly known as Sarvajanik Kaka and was one of the founders and leading workers of the Poona Sarvajanik Sabha, and Vasudeo Phadke, who later led an armed uprising against the government, enthusiastically 'vowed to wear and use only Swadeshi articles.'[135] G. V. Joshi used to spin yarn daily for his own *dhoti*, shirt and turban; he started shops at several places to popularise and propagate swadeshi goods, and, at the august Delhi Durbar of 1877 and in the midst of pageantry and flamboyancy, he represented the Sarvajanik Sabha dressed in pure self-spun *khadi*.[136] Phadke was equally passionate in preaching swadeshi and 'induced hundreds of youths to take the same vow.'[137] In 1873, the *Rast Goftar* of 13 July published the Gujarati translation of a Marathi paper called 'Nishchaya Patrika' or the paper of a public resolution, which, it was said, was being circulated and very numerously signed in the *Mofussil*. This resolution called upon all those who loved their country to arrest the rapid decline of the indigenous industry by refraining from buying foreign articles and by purchasing home-made ones even when they were a little dearer and somewhat of an inferior quality.[138] Similar sentiments were expressed by the *Indu Prakash* of 23 August 1875.[139] According to Bipin Krishna Bose, an organisation for encouraging the use of home-made articles existed in Nagpur in 1874.[140] In the same year a company was formed

134. He is to be distinguished from Rao Bahadur G. V. Joshi, the economist and statistician.

135. Karve, *op. cit.*, p. xxi; Pradhan and Bhagwat, *op. cit.*, p. 8; Ram Gopal, *op. cit.*, p. 13.

136. Pradhan and Bhagwat, *op. cit.*, pp. 8, 10; Ram Gopal, *op. cit.*, p. 18.

137. Ram Gopal, *op. cit.*, p. 13.

138. *RNPBom.*, 19 July 1873. Also, *Arya Mitra*, 13 July (*ibid.*).

139. *Ibid.*, 28 Aug. 1875. Also *Bodh Sudhakar*, 5 Feb. (*ibid.*, 15 Feb. 1879); *Subodh Patrika*, 20 Apr. (*ibid.*, 26 Apr. 1879).

140. B. K. Bose, *Stray Thoughts* (Cal., 1919), p. 47. Bose further wrote that Nagpur blacksmiths 'were taken in hand and induced to turn out knives and scissors, which were purchased with the help of a fund specially raised for the purpose and then sent out for sale in different parts of the country. Attempts were also made to improve the rude implements used by our weavers with a view to cheapen the production of their looms' (p. 47).

at Bangalore to deal in cotton goods manufactured only in India. The company resolved not to do business in Manchester goods any more.[141] A reader from Rajkot wrote in the *Amrita Bazar Patrika* of 6 January 1876: 'We have made a resolution not to use foreign goods, and we try to increase means to replace English things as we do to create taste for native things.'[142]

In Bengal, Bholonath Chandra raised his powerful voice in favour of swadeshi in the course of his long article on 'A Voice for the Commerce and Manufacture of India' which appeared in the *Mookerjee's Magazine* from 1873 to 1876. Appealing to the Indian people to start 'a bit of patriotism' by refusing to buy foreign goods,[143] he strongly condemned 'this general fancy of his countrymen for European-made goods, denationalising in its tendency.' He pointed out in this connection that

> the people most untrue to their nation and who are the great abettors in the falling off of their national manufactures, are the Princes, Zamindars, Baboos, and the men of our principal towns and cities.... It is more toadyism and infatuity than a desire for cheapness and excellence, in which we should seek for the true cause of this conduct.... No apology for their infidelity can be found in the refinement of their taste, when its indulgence costs the country the ruin of its best interests.

He lamented that 'the servility and depravity of our race have no parallel'. But not all was lost for ever. In a brilliant flash of political foresight and reasoning and sagacity, he called upon his countrymen to use the weapon of 'moral hostility' or boycott of foreign goods to recover the lost ground.[144] But, then, the entire passage outlining his views deserves reproduction here:

141. *Bangalore Herald*, quoted by the *Englishman* of 15 Dec. 1874 as cited in Bholonath Chandra, *MM*, Vol. V, 1876, p. 12.
142. Cited in *ibid.*
143. *Ibid.*, Vol. II, 1873, p. 621.
144. *Ibid.*, Vol. V, 1876, pp. 10-2.

> But what the folly of yesterday has undone, may be replaced by the wisdom of today. Without using any physical force, without incurring any disloyalty, and without praying for any legislative succour, it lies quite in our power to regain our lost position. Nought but our active sympathy has helped the cause of Manchester. The contrary of that sympathy is sure to produce a contrary effect. It would be no crime for us to take the only but most effectual weapon of moral hostility, left us in our last extremity. Let us make use of this potent weapon by resolving to non-consume the goods of England, and the countervailing tendency of such a resolution will put to right all matters that have gone wrong.[145]

The people of Dacca had already decided in 1875 to put into practice this weapon of 'moral hostility' and resolved to boycott Manchester cloth.[146] Many Bengal newspapers asked their readers to stop the use of foreign cloth and to patronise Indian mills.[147]

The tide of swadeshi went on rising all over the country during the 15 years from 1880 to 1895. It received a big fillip from the tariff policy of the Government of India when the latter abolished the import duties on cotton textiles in order to placate the Lancashire manufacturers.[148] Popular songs against the destruction of indigenous industries and the use of English machine-made goods found easy currency among the people of Western India.[149] The *Amrita Bazar Patrika*, a force by itself in the land at that time, gave a vigorous call in 1881 for the building up of popular organisations to fight Manchester's challenge by propagating the boycott of cotton goods manufactured outside India. 'Let delegates be sent to all the important cities of India.... Let pamphlets be printed in all

145. *Ibid.*, Vol. V, 1876, p. 12.
146. B. B. Majumdar, *History of Political Thought—from Rammohun to Dayananda* (1821-84), Vol. I: Bengal (Cal., 1934), p. 379.
147. For example, *Bharat Mihir*, 15 March, ABP, 16 March (RNPBeng., 25 March 1876).
148. See Chapter VI for a discussion of tariff policy.
149. Naoroji, *Poverty*, p. 207.

the languages of India.' It brilliantly foreshadowed future developments of the swadeshi movement by demanding that 'efforts be made to outcast the trader who deals in foreign manufactures.'[150]

In 1881, a Deshi Tijarat Company was started at Allahabad to promote the use of indigenous manufactures. Pandit Madan Mohan Malaviya was one of its prominent sponsors.[151] The *Koh-i-Noor* of 18 April 1883 reported that some educated Indians had formed the Indian National Association at Lahore, whose members had to sign a pledge, under which they bound themselves to use, as far as possible, articles of Indian manufactures.[152] A similar society was reported to have been formed at Ajmer.[153] A swadeshi store was opened in 1890 by the students of the Deccan College.[154] Numerous public meetings were held in different parts of Bombay for the purpose of propagating the use of Indian-made cloth in place of English cloth, and representatives appointed at many of these meetings solicited the advice and assistance of the Bombay Mill Owners Association towards the achievement of this object.[155] Indian newspapers from all parts of the country exhorted the people to boycott foreign goods, to use nothing but Indian goods, to open stores for the sale of indigenous products and to found popular associations to achieve these ends. From the North-Western Provinces and Oudh, the *Almorah Akhbar* of 1 May 1882, the *Nasim-i-Agra* of 7 June 1889, the *Rahbar* of 16 July 1889, and the *Hindustani* of 11 April 1894; from the Punjab, the *Imperial Paper* of 9 February 1889, the *Punjab Punch* of 30 July 1891, the *Paisa Akhbar* of 10 August 1891, and the *Akhbar-i-Am* of 18 July 1895; from Madras, the *Arya Janaparupalani* of 1 September 1889; from Berar, the *Varhad Sama-*

150. 8 Dec. 1881. Also 10 Feb. 1881.
151. Malaviya, *Speeches*, p. xxii.
152. *RNPPN*, 26 April 1883.
153. *Sanjivani*, 9 Feb. (*RNPBeng.*, 16 Feb. 1884). The correspondent of the paper further reported that 'inhabitants of North Western Provinces, Bengalis, Punjabis, Rajputs and Marathas, all are becoming members'.
154. Kellock, *op. cit.*, p. 122.
155. *Report of the Bombay Mill Owners Association for 1895*, p. 2.

char of 22 June 1891; from Bombay, the *Mahratta* of 13 March 1881 and 8 July 1894, the *Native Opinon* of 26 March 1891, the *Poona Vaibhav* of 10 May 1891, the *Hindu Punch* of 22 March 1894, the *Arunodaya* of 18 March 1894, and *Moda Vritt* of 2 August 1894; and from Bengal, the *Som Prakash* of 23 January 1882, the *Ananda Bazar Patrika* of 27 March 1882, the *Bharat Mihir* of 16 May 1882, the *Sanjivani* of 14 June 1884, the *Samaya* of 22 June 1885, the *Bangabasi* of 16 and 23 November 1889 and of 2 May 1891, the *Samaya-o-Sahitya* of 5 April 1891, and the *Education Gazette* of 5 June 1891, vigorously advocated this programme.[156] There was strong criticism of those who took to western clothes and other products in order to appear advanced in culture and respectable before the people and the rulers. 'It is only those who want foppery that require European cloth of various kinds', wrote the *Amrita Bazar Patrika* of 19 July 1891: 'As Hindu of thousands of years to the culture, we may certainly rise superior to the vulgar taste of those who, suddenly growing rich, affect all kinds of finery; and in the absence of anything in their conduct and character by which to show that they belong to the respectable classes, adopt only those means to show themselves off as are available for money.'

During this period, the idea of swadeshi began to penetrate the recognised public associations of the country also. At the Second Industrial Conference, sponsored by the Industrial Association of Western India, M. B. Namjoshi, the prominent publicist, educationist, industrialist, and public leader of Poona, urged the members of the Association to try to use Indian products instead of imported articles and to report to the annual conferences on the results of their efforts.[157] The need for swadeshi was ardently emphasised at some of the earlier Provincial Conferences in Bengal, notably at Burdwan

156. For reference, see the Reports on the Native Press of the different provinces concerned for the relevant weeks. The *Education Gazette* of 5 June 1891 pleaded that the Indian products 'may be good or bad, but the people of this country should feel for them as they feel for their parents, whether good or bad'.

157. *Mahratta*, 30 Aug. 1891.

in 1894.[158] The cry was taken up on the Congress platform at the session of 1891, when Lala Murlidhar, the Flagstaffian Congress leader from the Punjab, took the delegates to task for buying imported goods and thus 'battening on the heart's blood of your brethren'.[159] In 1894, he again took up the theme and asked the delegates to give up foreign clothing and luxuries and thus demonstrate that they in practice sympathise with the poor. According to the reporter of the session, he was given 'loud and long continued cheers' by the audience.[160]

The agitation for swadeshi was intensified in 1896 when the whole of the politically conscious India burst out in anger against the imposition of countervailing excise duties on Indian cloth.[161] This was the time, it was felt by many, for all Indians to unite irrespective of their religious or other differences and 'wake up to the national cause' by abjuring the use of Lancashire cloth.[162] It was also realised that the movement of protest must be raised to a level higher than that of mere appeals, verbal protests, and resolutions. The need of the moment was organised action to stop all dealings with Manchester.[163] As befitted the centre of modern textile industry in

158. A. C. Mazumdar, *Indian National Evolution* (Madras, 1917), p. 188.

159. And when the audience cried 'No. No', the venerable Lala flared up and said: 'I say yes; look round. What are all these chandeliers and lamps, and European made chairs and tables, and smart clothes, and hats, and English coats and bonnets and frocks, and silver-mounted canes, and all the luxurious fittings of your houses, but trophies of India's misery, mementoes of India's starvation! Every rupee you have spent on European-made articles is a rupee of which you have robbed your poorer brethren, honest handicraftsmen, who can now no longer earn a living' (*Rep. INC for* 1891, p. 21).

160. *Rep. INC for* 1894, p. 58.

161. See Chapter VI of this study. The *Mahratta* of 15 March 1896 wrote: 'It is under a burning sense of this injustice, that the educated Indian is preaching a crusade against Manchester cloth.'

162. *Mahratta*, 15 March 1896. Also *ibid.*, 9 Feb. 1896; *Banganivasi*, 9 Feb. (*RNPBeng.*, 15 Feb. 1896). See also *Dharwar Vritt*, 6 Feb. (*RNPBom.*, 8 Feb. 1896); *Arunodaya*, 16 Feb., *Dnyan Sagar*, 17 Feb. (*ibid.*, 22 Feb. 1896).

163. 'Let paid agents be appointed in every capital city of India', wrote the *Amrita Bazar Patrika* of 5 Feb. 1896, 'and let them have assistants to help them.' The finances for the purpose, the paper said, should rightly come from the pockets of the millowners. Also *Deshi Mitra*, 20 Feb., *Naga Samachar*, 15 Feb., *Arunodaya*, 16 Feb., *Dnyan Sagar*, 17 Feb., *Jagadadarsha*, 16 Feb., *Prabhakar*, 19 Feb. (*RNPBom.*, 22 Feb. 1896).

India, Bombay Presidency took the lead in giving a new dimension to the movement. Associations and leagues to organise the boycott of Lancashire products were formed in various places in the Presidency.[164] Practically the entire Indian press of Bombay actively came out in support of the boycott movement.[165] Mass meetings to organise boycott of foreign cloth and to obtain public pledges not to wear or sell anything but indigenous cloth were held at Poona, Ahmednagar, Satara, Barsi, Jalgaon, Manmad and Rajapur.[166] The nature of popular activity in the Presidency is revealed by a report on the swadeshi activity in Ahmednagar, published in the *Times of India* of 17 March 1896. It was reported that the local league for boycotting Lancashire goods was holding meetings in different parts of the town and was preparing pamphlets and leaflets for mass circulation in the district. In order to give a concrete and visible proof of the popular determination to boycott English cloth it had organised a public demonstration where people had burnt their English clothing.[167] According to the *Times* correspondent, it was 'impossible for a respectable citizen to go with a new English piece of cloth without being asked a hundred perplexing questions'. The students of the New English School of Poona also organised a similar public burning of foreign cloth.[168] B. G. Tilak played a very prominent role in this boycott movement in embryo.[169] The new wave of boycott movement, though mainly confined to Bombay, won full support of many newspapers from other parts of

164. *Mahratta*, 15 March 1896.

165. *Jam-e-Jamshed*, 24 Jan. (RNPBom., 25 Jan. 1896), *Moda Vritta*, 30 Jan. and *Jagadadarsha*, 26 Jan. (*ibid.*, 1 Feb. 1896), *Subodh Patrika*, 5 Feb., *Dharwar Vritt*, 6 Feb., *Arunodaya*, 2 Feb. (*ibid.*, 8 Feb. 1896), *Kesari*, 11 Feb. (*ibid.*, 15 Feb. 1896), *Mahratta*, 9 Feb., 15 March 1896, and *Native Opinion*, 2 Feb., 26 March 1896, from Maharashtra. See also f.n. 163.

166. RNPBom., 22, 29 Feb. 1896, and reference given in f.n. 169 below.

167. According to the *Nyaya Sindu* of 2 March 1896, huge bundles of English clothing were thrown into the Holi fire that year. *RNPBom.*, 7 March 1896.

168. *Jagadhitechchu*, 7 March (*RNPBom.*, 14 March 1896).

169. History of Mr B. G. Tilak drawn up by the Bombay Special Branch, *Home (Public)*—Confidential, Oct. 1899. Prog. 29 (Deposit), p. 14.

the country.[170]

After the public fury against the imposition of cotton excise duties had abated, the agitation for swadeshi also subsided. But it never left the stage completely. The newspapers continued to keep the need for swadeshi before the public eye.[171] For example, in 1899, the *Bharat Jiwan* of Benaras appealed to 'the educated natives whose speeches and writings overflow with patriotism' to 'set an example to their countrymen in the matter'.[172] In 1901 the *Sanjivani*, which a few years later—in 1905—took the lead in giving the call for boycott and swadeshi, expatiated upon the necessity for, and the ways and means of, implementing the swadeshi programme. Pointing out that public ignorance to the existence of indigenous articles of the requisite quality and the absence of agencies and shops where such articles might be had were big impediments in the path of the campaign, it called upon the native tradesmen to fill the lacunae. It pointed out that big wholesale merchants and the small shop-keepers could, as a matter of fact, compel the public to purchase indigenous goods.[173] The *Paisa Akhbar*

170. See ABP, 5 Feb. 1896, *Sanjivani*, 1 Feb. (*RNPBeng.*, 8 Feb. 1896), *Charu Mihir*, 3 Feb. (*ibid.*, 15 Feb. 1896), *Banganivasi*, 9 Feb. (*ibid.*), *Sahachar*, 11 March (*ibid.*, 21 March 1896), *Sanjivani*, 14 March (*ibid.*), *Dacca Gazette*, 23 March (*ibid.*, 28 March 1896), from Bengal; *Behar Herald*, 11 April (*ISVOI*, 17 May 1896), from Behar; *Utkaldipika*, 22 Feb. (*RNPBeng.*, 18 April 1896), *Uriya and Namsamvad*, 7 April (*ibid.*, 23 May 1896), *Samvadvatrika*, 17 Sept. (*ibid.*, 14 Nov. 1896), from Orissa; *Madras Standard*, 23 March (*ISVOI*, 10 May 1896), from Madras; *Hindustani*, 12 Feb. (*RNPN*, 19 Feb. 1896), *Nagri Nirad*, 13 Feb. (*ibid.*, 26 Feb. 1896), *Rahbar*, 24 Feb. (*ibid.*, 4 March 1896), *Nazm-ul-Hind*, 29 Feb., *Anjuman-i-Hind*, 7 March, and *Zamanah*, 5 March (*ibid.*, 11 March 1896), *Almora Akhbar*, 9 May and *Nasim-i-Agra*, 7 May (*ibid.*, 12 May 1896), from North-Western Provinces and Oudh.

171. See *ABP*, 14 Nov. 1898; *Akhbar-i-Am*, 30 July (*RNPP*, 28 Aug. 1897); *Nasim-i-Agra*, 15 July (*RNPN*, 21 July 1897); *Riaz-ul-Akhbar*, 28 Nov. (*ibid.*, 6 Dec. 1898); *Surma-i-Rozgar*, 24 April (*ibid.*, 10 May 1899); *Bharat Jiwan*, 26 June (*ibid.*, 5 July 1899), and 17 June (*ibid.*, 22 June 1901); *Sanjivani*, 14 Nov. (*RNPBeng.*, 23 Nov. 1901), and 26 Dec. 1901 (*ibid.*, 4 Jan. 1902); *Voice of India*, 26 July (*RNPBom.*, 26 July 1902); *Praja Bandhu*, 7 Sept. (*ibid.*, 13 Sept. 1902); *Paisa Akhbar*, 15 March (*RNPP*, 29 March 1902); *Bengalee*, 12 March, 26 Sept. 1902; *Mahratta*, 17 Aug. 1902; *Suryodaya Prakasika*, 18 May (*RNPM*, 21 May 1904).

172. 26 June (*RNPN*, 5 July 1899).

173. 14 Nov. (*RNPBeng.*, 23 Nov. 1901).

of 15 March 1902 promised to publish the names of 'patriotic' Indians who would take a pledge not to use foreign cloth.[174]

From the Congress platform, Bakshi Jaishiram urged the delegates to the fourteenth session to use country-made goods and to start societies for their propagation.[175] In 1901, the Secretary to the Calcutta Congress Committee publicly requested delegates and visitors to the ensuing session of the Congress at Calcutta to, as far as practicable, appear at its meetings in clothes made from materials of indigenous manufacture.[176] An appeal for swadeshi was made next year by Surendranath Banerjea from the Congress presidential chair.[177] And a formal proposal to give Congress endorsement to the campaign for swadeshi was for the first time submitted to the Subjects Committee of the Ahmedabad Congress in 1902. The proposal did not, however, find universal favour and was rejected by the Committee.[178] And, of course, many people continued to take concrete measures to realise the swadeshi idea in practice. In Punjab, there existed, in 1898, a Swadeshi Vasthu Pracharni Sabha, whose declared object was to improve the quality of Indian articles and to promote their use.[179] A swadeshi shop with a nominal capital of one lakh rupees was opened at Poona in 1902; and it soon became a success.[180] In the same year the Indian Stores Ltd. was started in Calcutta under the active leadership of J. Chaudhari, one of the Bengali pioneers of the movement.[181] Next year, an Indigenous Articles Protection

174. RNPP, 29 March 1902.

175. *Rep. INC for 1898*, p. 125.

176. *Indian Daily Mirror*, 22 Dec. (RNPN, 28 Dec. 1901). This suggestion was vigorously supported by *Bharat Jiwan*, 14 Nov. (RNPN, 15 Nov. 1898), and *Sanjivani* of 12 Dec. 1901, which wrote: 'There is a custom among Hindus to wear silk cloth on auspicious occasions. There is no sacred and auspicious occasion like the one when the mother country is to be worshipped. It is only proper that none of us should enter the pandal where the worship is to be held in costume made of foreign materials' (RNP*Beng*., 21 Dec. 1901).

177. In CPA, p. 636.

178. Mazumdar, *op. cit.*, p. 188.

179. Bakshi Jaishiram, *Rep. INC for 1898*, p. 125.

180. *Mahratta*, 17 Aug. 1902.

181. *Bengalee*, 26 Sept. 1902. In fact, he had opened some sort of a swadeshi store as early as 1896 (Bagal, *op. cit.*, p. 124).

Association was formed at Ahmedabad and was inaugurated by Diwan Bahadur Ambalal Sakerlal.[182]

Thus the rise and development of the swadeshi in India really took place during the period of our study with the propagation of the idea that indigenous goods should be used in preference to foreign ones even if the former happened to be dearer in price or inferior in quality.[183] Though at various points of time and in different hands the swadeshi idea was meant to serve separately or together several purposes, it was at this time primarily based on economic, and not political, considerations. It was in fact the product of the realisation of 'the industrially weak and deplorable position' of India. The *raison d'etre* of the movement lay in the expectation that it would help in reviving and improving the economic and industrial condition of the country by giving protection and encouragement to Indian industry. This point was clearly formulated by most of the proponents of the swadeshi.[184] For example, the *Mahratta*, the English language organ of Lokmanya Tilak, wrote on 12 April 1896:

> The movement is calculated to create a patriotic sentiment which may serve as a keen incentive to the advance of cotton industry in India.... the vast demand for indigenous native cloth getting vaster every moment, must before long give rise to mechanical improvements and encourage the investment of capital in this line.[185]

A month later it reported partial fulfilment of these expectations and gave out the glad tidings that as a result of the

182. *Praja Bandhu*, 18 Jan. (RNPBom., 24 Jan. 1903), and 15 Feb. (*ibid.*, 21 Feb. 1903).

183. Interestingly enough, nobody at the time came forward with the suggestion that one form of swadeshi could be the reduction of prices by the native manufacturers especially in view of the fact that most of them, especially in textiles, were reaping high profits.

184. For reasons of brevity and with a view to avoid repetition we are not citing the innumerable references on the point, most of which have been cited above.

185. Also, *Madras Standard*, 23 March (*ISVOI*, 10 May 1896).

swadeshi movement 13 new mills had sprung up in the Bombay Presidency, 7 in Bombay and 6 at Ahmedabad, and that efforts were being made to cultivate a finer kind of cotton for the mills.[186] The most important and consistent champion of the movement in Bengal, K. K. Mitra's *Sanjivani*, also repeatedly referred to the industrial benefit as the most important objective of the movement.[187] Surendranath Banerjea made the same point in his Presidential Address to the Congress in 1902.[188]

Many people advocated and practised swadeshi in order to save the native artisans and handicraftsmen from sure ruin at the hands of foreign competitors.[189] Interestingly enough, the notion of protecting indigenous handicrafts from competition with native machine manufactures found no place in the swadeshi agitation.

One of the most persuasive arguments used by the Indian nationalists to defend and popularise swadeshi was that since the Government of India had refused, because of its subservience to British manufacturers and its belief in the doctrine of Free Trade, to give the sorely needed protection to the infant industries of India, the people themselves must undertake to provide this protection through a vigorous swadeshi movement.[190] Moreover, the campaign was something which was in the realm of 'the practical and the possible'. Its success depended not on the whims and caprices of the foreign government and changes in laws but on the self-effort and self-reliance of the people. In fact it was the one resource left to a subject

186. 17 May 1896.

187. For example, the issue dated 14 March 1896 (*RNPBeng.*, 21 March 1896).

188. In CPA, pp. 636-7.

189. See, for example, B. K. Bose, *op. cit.*, p. 47; Bholonath Chandra, *MM*, Vol. V, 1876, pp. 10-2; *Sanjivani*, 21 June (*RNPBeng.*, 28 June 1884); *Nasim-i-Agra*, 7 June (RNPN, 12 June 1889); ABP, 12 July 1891; *Poona Vaibhav*, 10 May (*RNPBom.*, 16 May 1891); *Bharat Jiwan*, 26 June (RNPN, 5 July 1899).

190. *Mahratta*, 13 March 1881; *Verhad Samachar*, 22 June (*RNPBerar*, 27 June 1891); *Mahratta*, 15 March 1896; *Praja Bandhu*, 7 Sept. (*RNPBom.*, 13 Sept. 1902); *Bengalee*, 26 Sept. 1902.

people.[191] This view was most expressively put forward by Surendranath Banerjea in his Congress Presidential Address in 1902: 'If, however, protection by legislative enactment is impossible, may we not, by the fiat of the national will, afford them such protection as may lie in our power.'[192]

The swadeshi movement in general, and the boycott of foreign cloth in particular, were also regarded by the nationalists as weapons of effective protest and retaliation against the 'self-seeking' manufacturers of Lancashire who, it was alleged, used their political influence in England to thwart and cripple the growing cotton textile industry of India. The foreign manufacturer could, it was argued, be forced to give up such efforts, or at least be prevented from enjoying the fruits thereof, only if their pockets were touched by a vigorous boycott movement.[193] 'If the insatiable greed of Lancashire is to rule India let the heroic determination of India ruin Lancashire', wrote the *Mahratta* of 9 February 1896: '... Let India but Boycott Lancashire cloth for a few years and the most selfish of Manchester traders will be brought to their senses.'

The campaign to substitute Indian manufactures for the imported ones was also calculated to reduce the drain or outflow of Indian wealth consequent upon the import of foreign manufactures.[194]

191. Also see Bholonath Chandra, *MM*, Vol. V, 1876, p. 11; Rajnarain Bose, quoted in *Studies in the Bengal Renaissance*, p. 210; *Mahratta*, 9 Feb. 1896; *Advocate*, 1 Feb. (*RNPN*, 2 Feb. 1901).

192. In *CPA*, p. 636.

193. See *Subodh Patrika*, 20 Apr. (*RNPBom.* 26 Apr. 1879); *Mahratta*, 13 March 1881; *ABP*, 10 Feb. 1881; *Som Prakash*, 23 Jan. (*RNPBeng.*, 28 Jan. 1882); *Ananda Bazar Patrika*, 27 March (*ibid.*, 8 Apr. 1882); *Bharat Mihir*, 16 May (*ibid.*, 27 May 1882); *Poona Vaibhav*, 10 May (*RNPBom.*, 16 May 1891); *Hindustani*, 11 Apr. (*RNPN*, 18 Apr. 1889); *Mahratta*, 8 July 1894. For the later and more vigorous expression of this attitude in 1896, see p. 130 above. C. Y. Chintamani, in his *Indian Politics Since the Mutiny* (Allahabad, 1937), relates the interesting incident of V. N. Mandlik appearing in the Viceregal Council on the morrow of the abolition of the import duty on textile goods dressed in home-spun country cloth to voice his protest against it (p. 34).

194. S. N. Banerjea in *CPA*, p. 637. Also see *Sanjivani*, 21 June (*RNPBeng.*, 28 June 1884); *Samaya*, 22 June (*ibid.*, 27 June 1885); *Sahachar*, 11 March (*ibid.*, 21 March 1896); *Surma-i-Rozgar*, 24 Apr. (*RNPN*, 10 May 1899);

A close study of the nationalist opinion of the period reveals that the Indian national leadership did not at this time look upon the swadeshi movement as an effective weapon for fighting their political battles. Not that the notion of wielding the swadeshi as a political baton had not occurred to some of them or that it had not found public expression. As early as 1891, the *Poona Vaibhav* had urged upon the people to stop using English cloth in order to force the government to repeal the Age of Consent Act.[195] In 1894, the Marathi *Moda Vritta*, whose editor, K. V. Kale, was sentenced in 1897 to imprisonment for nine months for sedition, had advocated the boycott of foreign goods as a part of a larger programme of peaceful struggle against the government to get the popular grievances redressed.[196] Still later in 1901, the well-known nationalist weekly of Lucknow, the *Advocate*, had favoured the use of swadeshi as 'the only weapon of self-defence left with us' to force the Australian government to remove the disabilities imposed upon Indians in Australia and 'to behave with us a little like gentlemen'.[197] And, of course, the Indian leaders had before them the example of the successful Chinese boycott of American goods.[198] However, they appear to have felt that the time was not ripe for the use of the swadeshi as a political weapon. But that such a time would come had been wisely and accurately predicted as early as 1880 by Dadabhai Naoroji. Referring to the popular attempt to check the import of foreign manufactures through the spread of popular songs, he had written:

> We may laugh at this as a futile attempt to shut out English machine-made cheaper goods against hand-made dearer ones.

Guahar-i-Hind, 26 July (RNPUP, 2 Aug. 1902); *Paisa Akhbar*, 15 March (RNPP, 29 March 1902).

195. 5 Apr. (RNPBom., 11 Apr. 1891).

196. 2 Aug. (RNPBom., 4 Aug. 1894). As a matter of fact, the *Moda Vritta* anticipated the future non-cooperation movements by asking the people to resolve to use indigenous cloth, to abstain from filing suits, civil or criminal, before government tribunals, and to maintain themselves independently of government service.

197. 1 Feb. (RNPN, 2 Feb. 1901).

198. Tilak, cited in Ram Gopal, *op. cit.*, p. 231.

> But little do we think what this movement is likely to grow into, and what new phases it may take in time. The songs are at present directed against English wares, but they are also a natural and effective preparation against other English things when the time comes, if the English in their blindness allow such times to come.... But if the present downward course of India continues, if the mass of the people at last begin to despair of any amelioration, and if educated youths, without the wisdom and experience of the world, become their leaders, it will be but a *very, very* short step from loyalty to disloyalty, to turn the course of indignation from English wares to English rule. The songs will remain the same; one word of curse for the rule will supply the spark.[199]

Even as an economic movement, however, the swadeshi did not become during this period a vigorous, all-India and all-pervading movement, since the ideas of swadeshi were opposed by a section of the national leadership and the rising Indian industrialist class. In a few instances this opposition took an open form but mostly it found expression in their lack of support for the movement. While lauding the swadeshi movement as an expression of patriotism, they declared it to be impracticable from the business point of view and even regarded it as a harmful diversion of public energy.[200] Their main criticism was that the movement rested entirely on 'economic fallacies'.[201] The people were not likely to discard the use of imported fine and medium cloth. They would always go in for cheapness and quality. It was wrong to think that mere

199. Naoroji, *Poverty*, p. 207.

200. This view was best expressed in two letters by D. E. Wacha, the millowner Joint-Secretary of the Congress at the time and its president in 1901, which appeared in the *Times of India* of 11 and 18 March 1896, and in the articles 'The Economic Heresies of the Swadeshi Movement' by 'Economicus', *Indian Review*, Sept. 1903, and 'The Swadeshi Movement' by U. P. Kukillaya, *Indian Review*, Dec. 1903. The discussion of the point of view of the critics of the swadeshi movement that follows is mainly based on the above sources. See also *Kaiser-i-Hind*, 8 March (*RNPBom.*, 14 March 1896), and *Phoenix*, 1 Apr. (*ISVOI*, 17 May 1896). Wacha wrote: 'The resolve is patriotic, but when resolved into the practical, it simply becomes a mere shibboleth, empty and useless' (*Times of India*, 11 March 1896).

201. Kukillaya, *loc. cit.*, p. 763

appeals to patriotism could reverse this tendency. All such efforts were, therefore, 'foredoomed to failure'.[202] No amount of patriotism could induce 'the mass of the people to deviate an inch from the path of strict business'.[203] What to speak of the masses, even the educated and the enlightened could not be expected to do so. Could they, for example, asked Wacha, 'tell their ladies and children that they must now discard their saris and bodices, their prints and chintzes?'[204] The unpalatable reality was that 'the ordinary consumer, whatever his intellectual calibre may be, cannot, in the natural course of things, be expected to blind himself, of *his own free* will, to the hard fact of economic superiority and cheapness in obedience to a mere sentiment of patriotism'.[205] Moreover, the quantity of cloth imported by India from England at the time could not yet be produced by Indian mills. The Indian entrepreneur just did not have the machinery or the capital to purchase the machinery for the purpose. The boycott movement could not make factories 'spring up Minerva like, fully equipped in a day or a year, or even five years, to clothe *all* India with the same quantity of goods which she now imports from the United Kingdom'.[206] In this context, Wacha remarked—rather prophetically—that the Indian textile industry would take perhaps twenty years to acquire the requisite capacity,[207] the obvious implication being that that might be the proper time for considering the launching of a swadeshi movement. The logic behind this entire line of argument was that mill-production should precede and not follow in the wake of the swadeshi movement.[208] It may be noted in this connection that handloom cloth might have supplied the gap between the cloth requirements of the country and the mill output of cloth. This was, as a matter of

202. Wacha in *Times of India*, 11 March 1896.
203. Kukillaya, *loc. cit.*, p. 763.
204. Wacha, *loc. cit.*, 11 March 1896.
205. 'Economicus', *loc. cit.*, p. 541.
206. Wacha, *loc. cit.*, 11 March 1896.
207. *Ibid.*
208. The pro-swadeshi reply to this was that 'demand must come, supply will follow' (*ABP*, 12 July 1891). Also see, *Mahratta*, 12 April 1896, *Madras Standard*, 23 March (*ISVOI*, 10 May 1896).

fact, suggested at the time by several proponents of the swadeshi.[209] But, then, Wacha and men belonging to his way of thinking were interested not in all types of Indian cloth but only in mill-made cloth. The swadeshi made sense to them only as a means for the propagation of Indian mill-made cloth in place of the Lancashire cloth. The latter's replacement by handloom cloth was of no concern to them at all. Their goal was 'the regeneration of Indian industries, and regeneration is progress and improvement, not propping up of rotten things'.[210] Handloom cloth was even looked upon as a dangerous rival to the growth of textile industry. For instance, in 1901, Wacha condemned the cotton excise duty for granting protection to handloom weavers against the millowners in the following words:

> Competing against the cloth of the mills was that produced by the hand-loom weavers who used Indian yarn on which no duty was paid. From the point of view of the hand-loom weavers, who were really in a very distressed condition, it was no doubt a good thing that they should increase their industry, but so far as the mill-owners were concerned it could not be tolerated. It was protection within protection.[211]

It may, therefore, be safely inferred that the Bombay millowners and their nationalist representatives were not interested

209. For example, *Bangavasi*, 2 May (*RNPBeng.*, 9 May 1891); and *Sanjivani*, 14 Nov. (*ibid.*, 23 Nov. 1901).

210. Kukillaya, *loc. cit.*, p. 763.

211. Speech on 3 May 1901, *Report of the Bombay Mill Owners' Association for 1901*, p. 53. The Chairman of the Bombay Mill Owners' Association, not being a nationalist leader, was even more forthright in his address to the annual general meeting of the Association on 22 March 1899: 'We millowners do not complain of the countervailing excise duty as in any way injuring us in regard to the competition between England and India. There cannot, as this Association has always maintained, be any competition between the fine goods of Lancashire and the coarse cloth made in this country, but there can be no doubt that the excise duties protect handloom weavers, and as a consequence we find that whereas the handlooms are increasing their consumption of yarn year by year, there has been no increase of machine-looms, in Bombay since 1896' (*Report of the Bombay Mill Owners' Association for 1898*, p. 85).

in the boycott of foreign cloth till the time that Indian mills were in a position to step in to meet the unrequited demand, i.e., for another twenty years according to their own calculations. At that time they would even agree to support a pro-*khadi* movement knowing fully well that *khadi* was no longer a possible rival.

Perhaps, lurking in the minds of those who questioned the wisdom of the swadeshi movement was another, hidden fear that the English manufacturers might retaliate against India by denying it machinery for new mills and similar other means.[212] To them, the ruling power still appeared to be overwhelmingly strong and the Indian people pitiably weak in contrast. Ultimately, the lack of their and Indian millowners' support, and even opposition, to the swadeshi may be explained by the following two factors: (1) their belief that Indian mills had enough scope for their existing production-potential in the internal market, whose artificial or forced expansion would be of relatively no use to them—since they already had near monopoly of coarse textiles in the country—and might even help their real rival in the field, viz., the handloom industry;[213] and (2) the lack of faith on their part in their own economic strength and in the strength and the capacity for sacrifice of the people,[214] and the consequent overestimate by them of the power of the foreign rulers.

212. Wacha, *loc. cit.*, 18 March 1896. Letter written by Naoroji to Wacha in 1905, quoted in Masani, *op. cit.*, p. 450.

213. This point perhaps needs to be explained in greater detail. In the course of the last quarter of the nineteenth century, the Indian textile industry slowly drove the Lancashire cloth out of the coarse cloth trade of the country, but it did not yet produce medium and fine cloth in appreciable quantities. At the beginning of the twentieth century, the indigenous handloom industry was, therefore, in the position of being a competitor of Indian mills in coarse cloth and Lancashire mills in medium and fine cloth. The swadeshi would consequently have primarily helped the handloom industry at this particular point of time. After the First World War, the situation was, however, radically altered as Indian mills had by then started producing medium and even fine cloth on a large scale (cf. Parimal Ray, *India's Foreign Trade Since 1870*. London, 1934. p. 184).

214. References cited in f.n.'s 201 to 205 above.

The result of the opposition by an influential group of nationalist leaders and Indian millowners was that even though the swadeshi movement had widespread support among the nationalist-minded educated middle-classes of the country, it did not become a powerful movement in the land; it even failed to get the official endorsement of the Indian National Congress.

CHAPTER IV

Foreign Trade

> The development of the foreign trade of India during the last half-century has been very great, and it affords a remarkable illustration of the increase in the material wealth of the country.
>
> — JOHN STRACHEY

> To place India's trade on a natural basis, the basis namely, that the large and unlimited market supply of her teeming population should be mainly reserved for the products of her indigenous industries and that what may remain as surplus should be exported to foreign countries in exchange for what cannot be produced or manufactured here, to do this is the only means of averting the disaster that threatens to work India's complete economic ruin in the near future.
>
> — G. SUBRAMANYA IYER

In the 19th century, especially after 1850, India took big strides forward in its foreign trade which virtually ushered in a commercial revolution in the country. Imports and exports increased considerably in both volume and value; they also underwent dramatic changes in their scope and character.[1] The growth of India's foreign trade during the 19th century is brought out in the following table[2]:

1. For a detailed account of developments in India's foreign trade during the 19th century, see I. Durga Parshad, *Some Aspects of Indian Foreign Trade, 1757-1893* (London, 1932); Parimal Ray, *India's Foreign Trade Since 1870* (London, 1934); and the *Imperial Gazetteer of India*, Vol. III (1908).

2. *Imperial Gazetteer*, Vol. III (1908), p. 268. In 1813, the value of the trade was estimated at only £2.5 millions (*ibid.*, p. 260). All these figures relate to the seaborne trade of India but in view of the great preponderance of this trade over trans-frontier trade they can more or less be taken to constitute the foreign trade of India.

(Value in lakhs of rupees)

					Imports	Exports
Annual average	1834-5	to	1838-9	...	7,32	11,32
,, ,,	1849-50	,,	1853-4	...	15,85	20,02
,, ,,	1859-60	,,	1863-4	...	41,06	43,17
,, ,,	1869-70	,,	1873-4	...	41,30	57,84
,, ,,	1879-80	,,	1883-4	...	61,81	80,41
,, ,,	1889-90	,,	1893-4	...	88,70	108,67
,, ,,	1899-1900	,,	1903-4	...	110,69	136,59
Year	1904-5			...	143,92	174,14

Note: These figures include government stores and treasure.

The composition of India's imports and exports also underwent radical transformation during the 19th century. While prior to 1813, and ever since remote antiquity, India had primarily been an exporter of manufactures and importer of precious metals and luxury products, it gradually became, particularly after 1858, an exporter largely of agricultural raw materials and foodgrains and importer of manufactured products. Cotton and silk textiles and other traditional staples of export were gradually replaced by a variety of agricultural products, chief of them being raw cotton and jute, tea and coffee, opium, oil-seeds, and wheat and rice, the last two constituting nearly 17 and 26 per cent of the total exports in 1881-2 and 1904-5 respectively. Among the imports, cotton yarns and cloth, metals, machinery, sugar, and oil began to predominate, cotton products alone constituting nearly 24 and 39 per cent of the total imports in 1881-2 and 1904-5 respectively.

The second half of the last century witnessed the emergence of a new and heartening trend in the foreign trade of India. On the one hand, iron and steel, and machinery and millwork started entering the country in steadily increasing quantities; on the other, exports of cotton and jute textiles, now as products of modern machines, began once again to find their way into export trade and to steadily assume growing importance.

A striking but normal feature of Indian foreign trade throughout the 19th century was the steadily rising excess of exports over imports, except for a brief period of seven years

after 1856. This phenomenon was to play an important role in Indian economic thinking.

I. THE NATIONAL APPROACH

The subject of foreign trade did not actively engage, or strongly excite, the minds of Indian leaders, partially because it could not become an issue for agitation. They did of course discuss the question and express opinions on its various aspects, but did not consider it as 'a thing in itself'. They did not regard a mere increase in international commerce in itself as of great benefit and, therefore, deserving of much attention. To them, foreign trade was important only in so far as it affected the central economic problems of India, namely, poverty, industrialisation, and foreign economic exploitation. Consequently, they refused to commend or condemn the expansion of foreign trade in abstract, in isolation from other aspects, or on theoretical considerations of its salutary or baneful effects.

According to the British Indian authorities and spokesmen, the rapid growth of foreign trade was very beneficial to the country. They frequently pointed to it as a visible proof of the advancing prosperity of the people.[3] The Indian nationalists on the whole disputed this view. Some of them even questioned the belief that India's foreign trade was in a prosperous state or was growing fast, especially when contrasted with the size and population of the country. Dadabhai Naoroji pointed out, as early as 1887, 'how wretched British Indian trade' was when compared with the trade of the countries of Europe or even with the trade of the other parts of the British Empire. R. C. Dutt, D. E. Wacha and G. S. Iyer also took due note of this fact.[4] In any case, they believed that expansion of foreign trade was not in itself a sign of prosperity, or a cause for jubilation.

3. See Chapter I. For example, John Strachey, *India* (1903), p. 186.

4. Naoroji, *Speeches*, pp. 509-603, in CPA, p. 164; Dutt, *Speeches II*, pp. 82-3; Wacha in CPA, p. 603; G. S. Iyer, EA, pp. 352, 354.

While not denying the general benefits of international exchange of goods, they refused to accept that an increase in the gross volume and value of trade was in itself a sure indicator of real economic progress, or an 'unmixed good'. Such a matrix, they said, might be correct for the commercial nations of Europe in whose case the volume of trade was a fairly correct indicator of the state of national income; but India was not yet commercially independent and, consequently, this matrix was not applicable to it and, in fact, in its case such a line of reasoning was likely to be superficial, fallacious and misleading.[5] Being a half-truth it was even dangerous. 'The inference of soundness from mere high figures or simple activity in trade', the *Bengalee* had observed as early as 7 December 1872, 'may be as fallacious as that of sound health from the active circulation of blood without reference to the age, sex, and other circumstances of the person.'[6] Looking at the question in terms of the growth of national physical product, G. V. Joshi asserted in 1884: 'increased foreign trade by itself affords no indication of increased domestic production. Trade only *distributes* produce, and does not necessarily in all cases create a new supply.'[7] The issue was clinched by R. C. Dutt who appealed to the recent past:

> In the year 1881-82, under Lord Ripon's reign of peace and comparative prosperity, the total imports and exports of India were 83 millions sterling. In 1900-1901, a year of famines and distress, the total imports and exports were 122 millions. Who that knows India, or has heard anything of

5. Naoroji, *Essays*, p. 114; Bholonath Chandra in *MM*, Vol. II (1873), p. 85, Vol. III (1874), pp. 310-1; *Indian Spectator*, 18 May (*RNPBom.*, 24 May 1884); *Mahratta*, 25 May 1884; *Hindu*, 16 Jan. 1885; *Bangabasi*, 2 Feb. (*RNP Beng.*, 9 Feb. 1889); Ranade, *Essays*, p. 184; Tilak, quoted in Ram Gopal, *op. cit.*, p. 145; *ABP*, 11 Jan. 1896; Dutt, *England and India*, p. 127, *EHII*, pp. 348, 535-6; Mudholkar in *Indian Politics*, p. 43; Nundy in *Indian Politics*, p. 112; Wacha in *CPA*, p. 602; Gokhale, *Speeches*, p. 51; and G. S. Iyer, *EA*, pp. 352, 357.

6. Quoted by Bholonath Chandra in *MM*, Vol. II (1873), p. 85.

7. Joshi, *op. cit.*, p. 696. Earlier he had warned that 'large numerical totals blind men to the true character of this operation' (p. 680). See also G. S. Iyer in *Indian Politics*, p. 188.

India, will say that India earned more, or was better fed, and was more prosperous in 1900-1901 than in 1881-82?[8]

What were the factors which made a simple causal relationship between foreign trade and national prosperity irrelevant in the case of India? For one, the Indian leaders opined, the expansion of Indian foreign trade was not 'natural' and free and had not come about in the normal course of economic activity but was stimulated by the authorities in an unnatural way and was, therefore, forced, artificial, unhealthy, and 'economically unsound'.[9] We will examine in detail later in this chapter their view of the forced nature and manner of Indian foreign trade, but it may be stated in parenthesis here that the foundation of their outlook was the belief—and faith—that India was not 'naturally' destined to be just a producer of agricultural raw materials and that any attempt to force it to become one was 'unnatural', since in India land was in short and limited supply while labour existed in abundance.[10]

Secondly, they were of the opinion—and this more than any other factor determined their thinking on the question—that the significance of foreign trade for a country could be truly adjudged only by analysing its character. The nature of goods internationally exchanged and the impact of this exchange on national agriculture and industry were much more germane to the determination of the usefulness or otherwise of foreign trade than its gross volume; they were in fact 'the *crux* of the entire question'.[11] They sifted the trade statistics thoroughly and drew attention to the overwhelming, and destructive, bias of exports towards raw materials and of imports towards manufactured goods and to the consequent degradation of the country being reduced to a mere agrarian appen-

8. Dutt, *EHII*, p. 536.

9. *Hindu*, 21 April 1884, 16 Jan. 1885; *Mahratta*, 25 May 1884; *Bangabasi*, 2 Feb. (*RNP Beng.*, 9 Feb. 1889); Naoroji, *Speeches*, p. 323, in *CPA*, p. 164; Mudholkar, *op. cit.*, p. 43; Dutt, *EHII*, pp. 127, 348, 534, 536. G. V. Joshi asked whether it was 'not a diseased product of abnormal conditions' (*op. cit.*, p. 617).

10. See Chapter II.

11. Joshi, *op. cit.*, p. 641. Also see G. S. Iyer, *EA*, p. 131.

dage of Britain.[12] Most of them had no doubt that far from being the result of natural forces this state of affairs was the consequence of 'the settled policy of England in India'.[13] It may, however, be noted that the leading nationalist economists took due notice of the reverse tendency, namely, export of the products of modern industries and import of machinery and mill-work and raw materials, which began to make itself felt during the last decades of the 19th century. They hailed it as 'the turning of the tide'.[14] But they also noticed the meagreness, inadequacy, and retardation of this tendency.[15] As will be shown later in this chapter and in the chapters on 'Tariffs' and 'Currency and Exchange', this was in fact the only tendency in foreign trade that they tried to encourage through political pressure.

Thirdly, they believed that the conditions and circumstances under which the trade flourished were also relevant to the subject. Did the country enjoy commercial autonomy? Who carried on the trade, controlled it, and appropriated its profits? Did the trade occur in national surpluses and luxuries or in national necessities? What was the balance of trade and due to what causes? These were some of the queries they raised and discussed before passing a definitive judgment.[16]

Their conclusion was that expansion of foreign trade could

12. R. C. Dutt in particular drew, in his *Economic History of India*, Vol. II, a graphic account of the process by which this situation with its attending consequences had been brought about. In particular, see pp. 101, 105, 108, 161-4, 345-8, 529-32. For others, see *Hindu*, 21 April 1884; Ranade, *Essays*, pp. 99-101, 183-4; Joshi, *op. cit.*, pp. 620-3, 641ff; Tilak quoted in Ram Gopal, *op. cit.*, p. 145; Mudholkar, *op. cit.*, p. 41; G. S. Iyer, *Rep. INC for* 1901, p. 126; Gokhale, *Speeches*, p. 52. Also see above, Chapter II.

13. See Chapter I.

14. Joshi, *op. cit.*, p. 651 (also pp. 622-3, 652, 680); and Ranade, *Essays*, p. 103 (also pp. 103ff. and 119). See also Dutt, *EHII*, p. 348. *Sudharak*, 1 Aug., *Kesari*, 2 Aug. (*RNPBom.*, 6 Aug. 1898) protested against the loss of Indian trade in Japan. Also see Chapter VII below.

15. Joshi, *op. cit.*, p. 652; Ranade, *Essays*, pp. 103ff; Dutt, *EHII*, pp. 531-2. Dutt in particular bemoaned the relative decline in the import of machinery and mill-work.

16. Joshi, *op. cit.*, p. 611; Dutt, *EHII*, pp. 348, 535-6; G. S. Iyer, *EA*, p. 352; and many others referred to later at appropriate places.

not in itself be made a goal of economic policy: it was necessary, first of all, to decide upon the advantages and disadvantages accruing to the country from it; and, for doing this, the careful observer had to go beyond the aggregate figures of trade and examine their origin, nature, and effect on nation's welfare.

II. BENEFITS OF FOREIGN TRADE

The Indian leaders denied, on the whole, the widely-propagated beneficial character of foreign trade, at least in so far as the mass of the Indian people were concerned. They averred that, in its totality, the impact of foreign trade on them had been harmful.[17] They examined, first of all, the nature and impact of increasing exports, and refused to regard them *per se* as a sign of growing national prosperity or a means of adding to the wealth of the country. They pointed out that exports of agricultural raw materials were going up partially to pay for the additional imports of manufactured goods, which, in turn, proved disastrous to the interests of the people,[18] and partially to bear the increasing costs of foreign rule, 'to pay the ruinously costly services of her white rulers'.[19] The latter aspect was examined by them in detail in the context of the growing excess of exports over imports throughout the 19th century and thereafter. In the quinquennial period 1834-5 to 1838-9, the average annual difference between exports and imports stood at 4 crores of rupees; in 1869-70 to 1873-4 at 16.5 crores; in 1899-1900 to 1903-4 at 25.9 crores; and in 1904-5 at 30.2 crores.[20] While taking full note of the almost uninterrupted and constantly increasing 'yawning gulf' between exports and

17. In part, it was recognised by some, foreign trade might have done some good. For instance, Ranade was of the view that 'increase (in foreign trade) is good so far as it goes; but it is not unmixed good' (*Essays*, p. 184). See also Joshi, *op. cit.*, pp. 622 and 624; and Sayani in CPA, p. 346.

18. *Mahratta*, 25 May '1884; and Dutt, *England and India*, p. 127, EHI, p. 296, and EHII, pp. 132, 163. Also below.

19. *Mahratta*, 25 May 1884.

20. Derived from the *Imperial Gazetteer* (1908), Vol. III, p. 268. Government stores and treasure are accounted for in the imports.

imports of India,[21] the Indian leaders refused to rejoice over this 'favourable balance of trade'. Instead, they regarded it as an extremely disquieting feature.

The analysis of this problem by the nationalists throws an interesting light on the remarkable quality of their economic insight. They pointed out that this excess of exports over imports was not a true export surplus, i.e., a favourable balance of trade that would lead to an increase in imports of bullion or goods and commodities. It was, according to them, a really strange economic phenomenon—a favourable balance of trade which had no impact on the balance of payments, an excess of exports over imports for which the country did not receive any return in any form. Dadabhai Naoroji referred to this fact 'of excess of exports above imports, for which, neither in the shape of silver nor of any goods, has there been any import whatsoever in India'[22] as early as 1871. In his papers on 'The Poverty of India', he expressed himself even more forcefully. Chiding the writers who readily supposed 'that what they call 'the balance of trade in favour of India was something that India had to receive sometime or other', he wrote: 'They do not seem to understand that of all the *deficit* of import under the proceeds of export not a single pie in *cash* or *goods* is to be received by India.'[23] In his statement submitted to the Indian Currency Committee of 1898, Dadabhai was an even 'angrier' man. 'Now,

21. However, various Indian leaders differed as regards the actual amounts involved. See Bholonath Chandra in *MM*, Vol. II (1873), p. 89; *Indian Spectator*, 18 May (*RNPBom.*, 24 May 1884); *Mahratta*, 25 May 1884; Naoroji, *Speeches*, p. 321, and *Poverty*, pp. 569-70; Joshi, *op. cit.*, pp. 636-8, 683; Mudholkar, *op. cit.*, p. 40; Nundy, *op. cit.*, p. 112; Dutt, *EHII*, pp. 528-9. The Indian writers also noticed that this disparity would have been still greater but for capital imports and government borrowing, which to that extent increased the value of imports and reduced the excess of exports. This factor explains the apparent exception to the general trend of excess of exports over imports in Indian trade during the few post-1857 years when imports were greater than exports because of extensive government borrowing and large-scale import of foreign capital for the construction of railways (see Joshi, *op. cit.*, p. 638; Naoroji, *Poverty*, p. 569; G. S. Iyer, *EA*, pp. 336, 353).

22. Naoroji, *Essays*, p. 113. Also pp. 112-5.

23. Naoroji, *Poverty*, p. 141.

to call this a "balance of trade in favour of India" is the grossest abuse of language', he declared. 'It is neither any "trade" nor "balance of trade".... Not a *pie* of this tremendous amount—Rs 400,000,000 every year—will India ever see back as its own.'[24] With the exception of Ranade, other economists among the Indian leaders were no less quick and vehement in pointing out that the excess of exports brought 'no commercial return' to India.[25]

But in what light then should this excess of exports be seen? What was the real significance of this 'distressing anomaly'? According to the Indians, this excess of exports was needed and destined (a) to pay increased interest on the growing foreign indebtedness of India,[26] (b) to meet the fast-multiplying 'Home Charges' or expenses of the Government of India in Britain,[27] and (c) to enable the British administrators, merchants, planters, and capitalists to remit home their savings and profits, that is, the increasing fruits of economic exploitation of the country.[28] In brief the differences between exports and imports represented the increasing 'tribute' of India to its alien rulers.[29] Far from being an accretion to national wealth, this excess of exports

24. *Ibid.*, p. 569. See also pp. 568-74.

25. Joshi, *op. cit.*, pp. 618, 637, 683; Ray, *Poverty*, p. 6; Lal Mohan Ghose in *CPA*, p. 753; Mudholkar, *op. cit.*, p. 41; Nundy, *op. cit.*, pp. 112-3; Wacha in *CPA*, p. 602; Dutt, *England and India*, p. 143, *EHII*, pp. 348, 528; G. S. Iyer, *EA*, p. 336.

26. *Indian Spectator*, 18 May (*RNPBom.*, 24 May 1884); *Mahratta*, 25 May 1884; *Hindu*, 16 Jan. 1885; Dutt, *England and India*, p. 143; Joshi, *op. cit.*, p. 683; Wacha, *Rep. INC for 1898*, pp. 101-02; Nundy, *op. cit.*, p. 113; G. S. Iyer in *Indian Politics*, p. 188, and *EA*, p. 353. The *Mahratta* would have had no objection if the purpose had been to repay foreign debts *a la* USA.

27. *Samaya*, 30 June (*RNPBeng.*, 5 July 1884); L. M. Ghose, in *CPA*, p. 753; Ray, *Poverty*, p. 6; Gokhale, *Welby Commission*, Vol. III, Q. 18240; Joshi, *op. cit.*, pp. 618, 637-8, 683; Nundy, *op. cit.*, p. 113; Dutt, *England and India*, p. 143, *EHII*, p. 127; and G. S. Iyer, *EA*, p. 353. Comparing the amounts for the Home Charges with those for excess exports for the years 1862 to 1888, Joshi found that 'they very nearly balanee each other' (*op. cit.*, pp. 637-8. Also L. M. Ghose, *loc. cit.*).

28. *Samaya*, 30 June (*RNPBeng.*, 5 July 1884); Joshi, *op. cit.*, pp. 638, 683, 695; Ray, *Poverty*, p. 6; Naoroji, *Speeches*, p. 323; Nundy, *op. cit.*, p. 113; Dutt, *EHII*, p. 536; G. S. Iyer, *EA*, pp. 270-1.

29. Bholonath Chandra in *MM*, Vol. III (1874), p. 346; Naoroji, *Essays*, pp. 115-6, *Speeches*, p. 323; *Samaya*, 30 June (*RNPBeng.*, 5 July 1884); *New India*, 19 Aug. 1901; Dutt, *EHII*, pp. 163, 343-4, 348, 528-9, 536.

was the particular form taken by the 'drain' or transfer of wealth from India to England. As bullion was not available, this unilateral transfer of funds had to take the form of goods; hence, a favourable balance of trade had to be maintained by India; or, in other words, the excess of exports had to become the most important feature—more or less the law—of Indian foreign trade. This close connection between foreign trade and excess of exports and the drain of wealth from India was first commented upon by Dadabhai Naoroji in 1871,[30] and was later clearly formulated by him in 1895: 'It is mostly only the form in which the increasing crushing tribute and the trade-profits and wants of foreigners are provided by the poor people of British India.'[31] Other Indian economists followed suit.[32] With his usual acumen, Joshi also pointed out that the total drain was 'represented in part only by *excess exports*',[33] and that 'the necessity of making these large annual payments to England in the shape of *excess exports* tends to give a *compulsory* character to a large portion of our exports.'[34] R. C. Dutt also emphasised the latter point when he wrote that 'the Economic Drain from India for Home Charges compelled that country to export more than she could import'.[35] The compulsive character of the process was also brought out, he observed, by the fact that India had to maintain this excess even during the years of famine (1896-1900).[36] He also pointed out that while the connection between excess exports and the 'tribute' was at this time indirect and therefore hidden from public view, this was not always so in the past. In the days of the trading monopoly

30. Naoroji, *Essays*, p. 113.

31. Naoroji, *Speeches*, p. 323. Also *Poverty*, pp. 182, 569.

32. Bholonath Chandra in *MM*, Vol. II (1873), pp. 89-90; Joshi, *op. cit.*, p. 639; Ray, *Poverty*, pp. 6-7; Mudholkar, *op. cit.*, pp. 41, 46; Dutt, *EHII*, pp. 127, 159, 528, 536; *New India*, 16 Sept. 1901; *Indian People*, 24 July 1903; and L. M. Ghose in *CPA*, pp. 750, 753. Also see *ABP*, 6 Feb. 1880, 17 July 1892.

33. Joshi, *op. cit.*, p. 639. In reality, the total drain was more than the apparent excess of exports because the real excess of exports was, as pointed out above, higher than that which was apparent. See also Naoroji. *Poverty*, p. 569 and G. S. Iyer, *EA*, p. 336.

34. Joshi, *op. cit.*, p. 641. Also p. 683.

35. Dutt, *EHII*, p. 127. Also see his *Speeches II*, p. 47.

36. Dutt, *EHII*, *pp.* 348-9, 528.

of the East India Company, the Company's investments were purchased out of the revenues of the Empire and the link between the two was, therefore, not only visible but was publicly acknowledged by the higher authorities.[37]

The close and unavoidable connection between the drain of wealth and excess of exports was dramatised in another way by the *Amrita Bazar Patrika*—whose editor Motilal Ghose possessed an unusual knack for reducing important politico-economic issues to the level of horse-sense—when it blandly declared, in its issue dated 11 January 1896, that the foreign rulers *could not have carried on* the exploitation of India but for the existence of foreign trade! In the absence of international exchange, it wrote, 'the Secretary of State and the Civilians and the Military Officers would have only taken India's money. She would have been denuded of her rupees by and by, but her produce, in other words, her real wealth, would have remained with her to feed her children.'[38]

It was because of this peculiar feature of excess of exports representing an increasing drain of wealth that most of the Indian leaders would not rejoice over this seemingly happy economic phenomenon and held that, far from signifying agricultural prosperity, the increasing exports of agricultural raw materials indicated that 'the vast agricultural population has to slave away to a greater degree' and pointed to 'the additional burdens' on the people and to the 'growing material exhaustion' and impoverishment of the country.[39] But, then, could not this 'drain' of wealth be justified on the ground that it was the price of a benevolent foreign rule which had done so much for the country and its people? The nationalists refused

37. Dutt, *EHI*, pp. 48-9, 69, *EHII*, pp. 125-7.

38. The Keynesian idea that if Britain wanted to collect reparations from Germany, it must either buy German goods or allow its citizens to go to Germany to drink its beer was after all not really original!

39. Bholonath Chandra in *MM*, Vol. II (1873), p. 90; Naoroji, *Essays*, p. 114, *Speeches*, p. 315; *Indian Spectator*, 18 May (*RNPBom.*, 24 May 1884); *Mahratta*, 25 May 1884; *Hindu*, 16 Jan. 1885; Joshi, *op. cit.*, p. 683; Ray, *Poverty*, pp. 6-7; Mudholkar, *op. cit.*, pp. 46-7; *ABP*, 11 Jan. 1896; Dutt, *EHII*, p. 127; L. M. Ghose in *CPA*, p. 752; G. S. Iyer, *EA*, pp. 357-8. Also see below Chapter XIII on 'The Drain'.

to accept the basic premise of this query, as will be shown in the Chapter on the 'Drain'. Moreover, they held that that was a different matter altogether. '. . . *commercially* speaking,' wrote G. V. Joshi, 'it has to be put down as a loss, whatever else it may be in other respects, and has to be duly taken note of in any balancing of the country's *gain* and *loss* on the general account of its trade.'[40]

The Indian leadership next examined the impact of the growing imports, which almost entirely consisted of manufactured articles. Whereas the British held that the increasing imports were an index of the growing purchasing power in the country, they were, according to Indian leaders, the cause of the greatest tragedy to hit the manufacturers of India, a source of national loss, a portent of the country's 'economical and industrial death'. Going to the heart of the matter, they observed that instead of supplementing and adding to indigenous manufactures, giving birth to new wants and new industries, or, to put it technically, creating 'a new and effective demand'[41] in the country, imported goods were, by virtue of their cheapness and competitiveness under conditions of free trade, displacing indigenous hand-made goods in their own home market.[42] This aspect of import trade had been noticed by Indians as early as 1831 when, in a petition to the British government, over 100 'natives of high respectability' had complained 'that of late years your petitioners have found their business nearly superceded by the introduction of the fabrics of Great Britain into Bengal, the importation of which augments every year, to the great prejudice of the native manufacturers.'[43] Then, in 1873, Bholonath Chandra had exhorted his countrymen to regard imports 'not as a blessing, but as a curse, which

40. Joshi, *op. cit.*, pp. 640-1.
41. *Ibid.*, p. 681.
42. *Mahratta*, 25 May 1884; *Hindu*, 16 Jan. 1885; *Samaya*, 30 June (RNPBeng., 5 July 1884); *Hindu Ranjika*, 28 Jan. (*ibid.*, 7 Feb. 1885); Joshi, *op. cit.*, pp. 680-1, 696; Ranade, *Essays*, pp. 183, 185; Ray, *Poverty*, pp. 93-4; Dutt, *EHII*, pp. 101, 344-5; G. S. Iyer, EA, pp. 355, 357; J. A. Wadia, *Rep. INC for 1901*, p. 176.
43. Quoted in B. D. Basu, *op. cit.*, p. 52.

has culminated in the ruin of our national industry and home made manufactures'.[44] In 1897, R. C. Dutt observed that 'the increase in the value of imports into India really means that the manual industries of India have died out in an unequal competition with the steam and machinery of England.' In 1903, Gokhale declared that 'almost every increasing import of foreign goods—far from indicating any increase in the country's purchasing power—only connotes a corresponding displacement of the indigenous manufacturer.' G. S. Iyer saw the problem in even clearer economic terms: in India, international exchange did not supplement and perfect domestic exchange, it substituted for the latter and, therefore, annihilated it.[45]

G. V. Joshi was able to discover another indirect outcome of the import trade. By destroying the urban handicrafts, it had, on the one hand, extended the scope of commodity circulation and the area of its internal market, and, on the other, thrown out of work an entire class of people, creating thereby an unlimited supply of cheap labour. This had enabled foreign capital to penetrate the country and set up manufacturing enterprises which were near 'completing the ruin of our manufacturing industries even in the remotest part of the country'.[46]

Indian leaders were very fond of citing the example of import of cotton textiles and export of raw cotton as graphically tracing, revealing, and typifying the process of displacement of Indian manufactures.[47] They also averred that the variety of goods imported, which covered 'a very wide area from mats and matches to mill-work and machinery', from umbrellas to candles, books, boots and toys, only 'tends to show how wide and deep is the collapse'.[48]

44. In *MM*, Vol. II (1873), p. 90.

45. Dutt, *England and India*, p. 127; Gokhale, *Speeches*, p. 51 (also see Gokhale, *Rep. INC for 1904*, p. 166); G. S. Iyer, *EA*, p. 357 respectively.

46. Joshi, *op. cit.*, pp. 788-9.

47. Ranade, *Essays*, pp. 184-5; Joshi, *op. cit.*, pp. 643, 650; Dutt, *EHI*, pp. 293-6.*EHII*, p. 105, *Speeches II*, pp. 120-1; Gokhale, *Speeches*, pp. 51-2; G. S. Iyer, *EA*, p. 355.

48. Joshi, *op. cit.*, pp. 644-5. Also Ranade, *Essays*, p. 185.

Thus, they arrived at the conclusion that the impact of the growing imports of manufactured goods on the welfare of the people was deleterious. It had involved the destruction of a 'varied and well-balanced national economy'.[49] By forcing millions of artisans and handicraftsmen to abandon their traditional occupations, it had not only deprived them of their means of livelihood but also compelled them and their descendants to fall back upon the 'single and precarious source' of agriculture. As a direct result of increasing imports, more and more people were being thrown upon land; the country was being ruralised; its agriculture was getting overcrowded; the sources of its national income were being narrowed down; and its people were daily growing poorer.[50]

This outcome was viewed by some of the nationalist economists in strictly economic categories also. They considered the import of manufactured articles in conjunction with the export of raw materials and found that the two taken together were doubly injurious. By changing from manufacture of goods to production of agricultural raw materials, India shifted from a higher to a lower form of economic activity, from thriving industry to 'less remunerative agriculture', 'rendering its labour less productive' by 'compulsory transfer . . . from fields of *skilled* labour to fields of unskilled labour' and, consequently, undergoing 'enormous economic losses in wages and profits'.[51] True, Indians gained as consumers since they got much better

49. Joshi, *op. cit.*, p. 680.

50. Bholonath Chandra in *MM*, Vol. II (1873), p. 115; *Mahratta*, 25 May 1884; *Hindu*, 16 Jan. 1885; *Samaya*, 22 June (*RNPBeng.*, 27 June 1885); Joshi, *op. cit.*, pp. 611, 643, 650-1, 683, 696; Ranade, *Essays*, pp. 183, 185; Ray, *Poverty*, pp. 93-6; Dutt, *EHI*, pp. viii, 276, *EHII*, pp. 103, 345, 531; Gokhale, *Speeches*, p. 52; G. S. Iyer, *EA*, p. 355; *Hitavadi*, 16 Dec. (*RNPBeng.*, 31 Dec. 1904); and Chapter II above. The nationalists did, of course, recognise fully well, as has been brought out above in Chapter II, that imports were not the only factor responsible for this melancholy phenomenon, and that the latter was the product of diverse influences arising out of the alien domination of the country.

51. Joshi, *op. cit.*, pp. 682, 611, 651, and 645 respectively. Also Ranade, *Essays*, p. 184; Dutt, *EHI*, p. 276, *EHII*, p. 350; G. S. Iyer, *Rep. INC for 1901*, p. 125; *Akhbar-i-Am*, 18 Feb. (*RNPP*, 21 Feb. 1891); *Dainik-o-Samachar Chandrika*, 18 Oct. (*RNPBeng.*, 22 Oct. 1892).

and cheaper articles but the price they had to pay 'as *producers* and labourers' was truly exhorbitant.[52] As opposed to this, if the raw materials 'now sent abroad, could be kept in the country, they would furnish openings to our own capital and to our own labour'.[53] The nationalist position on this point was summarised as follows by Mudholkar:

> If instead of sending raw materials to other countries and receiving the finished product from there, this country had manufactured its own raw materials, the amount representing the difference between the cost of the raw material and the price of the manufactured article would have remained all in the country and made substantial additions to the wages fund and the profits of capitalists.[54]

Earlier, in 1888, G. V. Joshi had, in his paper on 'The Sea-Borne Trade of British India', even tried to make a rough statistical calculation of this loss 'on account of our trading position'. He discovered that at a conservative estimate the total loss of wages and profits would be of the order of 58 crores of rupees per year. Capitalised at 3 per cent interest, this came to 1,600 crores of rupees, he had exclaimed.[55] He had also pointed out that the process had the further lamentable effect of displacing 'native organising talent' and weakening 'the middle classes, who are the backbone of every fairly progressive community'.[56]

Surprisingly enough, even while condemning the destruction of rural and urban handicrafts, none of the Indian writers of the period bemoaned the snapping of the close ties between agriculture and industry as a result of the commercialisation of agriculture and ruralisation of the economy. This is explained by the fact, already brought out in Chapter II of this study, that the Indian leaders were not opposed to increasing com-

52. Joshi, *op. cit.*, p. 651. Also Ray, *Poverty*, pp. 95-6; Dutt, *EHII*, pp. 345, 350.

53. G. S. Iyer, *EA*, p. 85.

54. Mudholkar, *op. cit.*, p. 43. Also see N. K. R. Iyer, *Rep. INC for 1901*, p. 138.

55. Joshi, *op. cit.*, pp. 645-7. Mudholkar had in giving the amount as 50 to 60 crores of rupees obviously relied upon Joshi's calculations.

56. *Ibid.*, pp. 682 and 651 respectively.

modity circulation or widening of the internal market as such. Being strong proponents of modern industries, which would have an equally destructive effect on rural self-sufficiency, they were not opposed to internal trade or to the growth of trade as such but only to the existing pattern of foreign trade. What they objected to was the unilateral usurpation of the rural market by foreign products, which deprived indigenous industry of its markets, indigenous capitalists of their profits, and the ruined artisans of the opportunity to earn wages in new industries. Consequently, they desired not so much to preserve the self-sufficiency of the economy as that its destruction should be accompanied by the regenerating process of modern industrialisation.

Most of the nationalist economists would not accept the claim that increasing exports of agricultural products and the consequent increase in their prices had conferred large benefits upon at least those engaged in agriculture. For instance, Bholonath Chandra wrote as early as 1873: 'Notwithstanding that ... there has grown a gigantic trade around him (the Indian agriculturist), he is still as wretched and degraded as at any time before, and toils as ever unfreed from the bondage of the money-lender, or unrelieved from his squalor, want, and misery.'[57] First of all, and for several years, some of them maintained that the prices of agricultural goods had been falling and not increasing or at the most had been stationary.[58] However, the more commonly held view was that the bulk of the benefit of higher demand and prices for agricultural produce was reaped not by the actual cultivators, who were compelled to dispose of their produce at harvest time on very unfavourable terms in order to pay the heavy and periodical land revenue or rent, to meet the demands of the creditors for interest or principal, and to purchase the bare necessities of life, but by the foreign export merchants like Ralli Brothers and their Indian middlemen, who purchased their produce at

57. Bholonath Chandra in *MM*, Vol. II (1873), p. 86.
58. Joshi, *op. cit.*, p. 654; Wacha, *Rep. INC for 1898*, pp. 101-2; G. S. Iyer in *Indian Politics*, p. 191.

extremely low prices.[59] Another large part of the gain was garnered by the moneylender-cum-merchant to whom 'the ryot's crops are mortgaged, even before being harvested'.[60] Also, only the substantial landholders sold their products of their free will and for the sake of profit, and most of them were in reality hidden *sowcars*.[61] Moreover, the state and the landlords claimed another chunk of the gain by pushing up revenue assessment and rent.[62] In any case, a large part of the rural population consisted of agricultural labourers and small peasants, who consumed more foodgrains, etc., than they produced, and who were, therefore, net losers as a result of any increase in prices.[63] Furthermore, G. V. Joshi calculated that, even if it be assumed that the peasant was the sole beneficiary of the export trade, the gain per head of agricultural population amounted to the meagre sum of four annas per year; and this was all the possible gain against the innumerable disadvantages of the loss of industry and employment enumerated earlier.[64]

The nationalist economists also drew attention to the fact that many of the staples of the export trade, like tea, indigo, coffee, and jute textiles were the products of the application of foreign capital and effort. The foreign capitalists, therefore, reaped all the benefits and carried away from the country all the profits arising from their manufacture and export, leaving to the Indians, as their share, only the poor wages.[65] Interest-

59. The Indian agriculturist was merely 'the tread-mill slave of the foreign exporter', wrote the *Indian Spectator* of 18 May 1884 (RNPBom., 24 May 1884). See also *Hindustani*, 13 Apr. (RNPN, 21 Apr. 1892); Wacha, *Welby Commission*, Vol. III, Qs. 17509-10, 17516. 17524, in CPA, p. 601; Ray, *Indian Famines*, p. 63; G. S. Iyer in *Indian Politics*, p. 192, 'The Viceroy on the Economic Condition of India', HR, May 1901, p. 352, and June 1901, p. 445, *Rep. INC for* 1901, p. 101, EA, p. 225; Dutt, EHII, pp. 348-9.

60. Wacha in CPA, p. 601. Also Wacha, *Welby Commission*, Vol. III, Qs. 17525-7, 17529; Ray, *Indian Famines*, pp. 62-3; G. S. Iyer, EA, p. 225.

61. *Mahratta*, 16 Nov. 1902.

62. Joshi, *op. cit.*, p. 658; Dutt, EHII, p. 350.

63. Joshi, *op. cit.*, p. 658; Ray, *Indian Famines*, pp. 62-3; G. S. Iyer in *Indian Politics*, p. 192, EA, pp. 223-6.

64. Joshi, *op. cit.*, p. 657.

65. *Ibid.*; Bholonath Chandra in MM, Vol. II (1873), p. 86; Naoroji, *Speeches*, p. 596; Mudholkar, *op. cit.*, p. 42; Wacha in CPA, p. 603; *New India*, 19 Aug. 1901; G. S. Iyer, EA, p. 353.

ingly enough, Ranade's refusal to agree with this reasoning, adopted by nearly all the other contemporary nationalist economists, led him to make the surprising mistake of holding up the Culture System of Dutch East Indies as a model and as an alternative to the policy of turning India into a producer of agricultural raw materials.[66] He failed to see that the complete foreign control and ownership of the East Indies plantations not only reduced their value as industries to the Indonesian people but made the position of the latter even worse than that of the Indians by preventing the growth of a native capitalist class.

Incidentally, some of the Indian writers applied the above approach to imports as well and noted that a large part of Indian imports was made either to satisfy the day-to-day wants of the foreigners residing in India and a small number of Anglicised natives, or on account of foreign enterprises and railways, or for meeting the needs of the government.[67] The portion of imports consumed by the mass of people was extremely small and would in all probability be 'represented by a few pence' per head.[68]

Some of them also made much of the point that India exported not its surplus produce, i.e., products which could not be profitably consumed within the country, but, under the pressure of the drain, the very necessities of its life and manufacture, viz., wheat, rice, cotton, jute, and oil seeds, denuding in the process the country of its food 'to a fatal

66. Ranade, *Essays*, pp. 65-97. The Culture System had 'helped the Netherlands East Indies to attain a high degree of material prosperity', he wrote (p. 79). Also noteworthy was the fact that 'while the proportion of Raw to Manufactured Produce exported from British India was four to one, the proportion in Netherlands India was one to four' (p. 85). It must, however, be pointed out that even Ranade recommended one important departure from the Culture System, viz., the use of Indian capital in preference to foreign capital (pp. 92-3).

67. *Mahratta*, 25 May 1884; Ray, *Poverty*, pp. 15-6; Wacha in *CPA*, p. 603; G. S. Iyer, *EA*, pp. 353-5. Cf. *Imperial Gazetteer*, Vol. III, p. 278: 'The market in India for foreign goods is extremely limited, and a substantial proportion of the imports mentioned above is dependent upon the needs and demands of the growing European community.'

68. G. S. Iyer, *EA*, p. 355 (also p. 12). Also Wacha in *CPA*, p. 603; Gokhale, *Speeches*, p. 16.

extent'. On the other hand, it got in return mostly articles of comfort and luxury which could have been easily dispensed with.[69] This view was expressed in a forceful manner by the *Bangabasi* of 6 July 1889:

> We do not want your powder or your pomatum to increase the lustre of the face or the glaze of curled hair; we do not wish to delude people by giving ourselves catching airs with watches and sticks; . . . we do not wish to shine in your silken and woollen fabrics; we do not wish to quench the sinful thirst with your sherry and your champagne; we do not wish to hide our shame with you cloth. If it be that the race of native weavers is exterminated, we shall wear the barks of trees, and if we cannot get even barks of trees to wear, we will go naked. We beg of you, Life — pray, give us that.[70]

The nationalists also made a fundamental distinction between trade carried on by foreigners and trade carried on by 'the children of the soil'. They bewailed the fact that India's foreign trade was almost entirely in the hands of British and foreign merchants who, in consequence, appropriated and took out of the country the lion's share — more than 90 per cent, according to G. V. Joshi — of its profits.[71] In addition, the entire machinery of trade — 'the whole movement of our commerce' — was under the control and direction of foreigners. Railways, shipping, banking, insurance, even a part of the internal movement of goods from village to sea-port, all represented foreign effort.[72] According to G. V. Joshi, the total

69. *Hindu*, 21 Apr. 1884; *Bangabasi*, 2 Feb. (*RNPBeng.*, 9 Feb. 1889); *Taj-ul-Akhbar*, 4 Jan. (*RNPP*, 10 Jan. 1891); Ray, *Poverty*, pp. 13-4, 35; Dutt, *EHII*, pp. 348-9, 534, 536; G. S. Iyer, *EA*, p. 85.

70. *RNPBeng.*, 13 July 1889.

71. Bholonath Chandra in *MM*, Vol. II (1873), pp. 82, 85-9, Vol. III (1874), pp. 310-1; Joshi, *op. cit.*, pp. 611, 622, 624-5, 666, 784, 788; Ranade, *Essays*, pp. 66, 185-6; *Hindustani*, 16 Sept. (*RNPN*, 24 Sept. 1891); *Paisa Akhbar*, 27 Oct. (*RNPP*, 10 Nov. 1894); Naoroji, *Speeches*, p. 341; Ray, *Poverty*, pp. 321-3, 326; *Bharat Jiwan*, 4 July (*RNPN*, 13 July 1898); Mudholkar, *op. cit.*, p. 46; *Nasim-i-Agra*, 15 May (*RNPN*, 18 May 1901); *New India*, 19 Aug. 1901; *Advocate*, 10 July (*RNPN*, 19 July 1902); Dutt, *EHII*, p. 536.

72. Bholonath Chandra in *MM*, Vol. II (1873), pp. 88-9; Joshi, *op. cit.*, pp. 631-3, 666, 784, 786; Ranade, *Essays*, pp. 185-6; Mudholkar, *op. cit.*, p. 41; Naoroji, *Speeches*, p. 341.

loss to India on account of this foreign control of its commerce amounted to nearly 26 crores of rupees a year, i.e. 'more than the whole amount of the Home Charges of which we so much complain'.[73] However, some of the Indian leaders pointed out, it lay quite in the power of Indians to avoid at least a part of this loss. They chided the native merchants for playing so negligible a part in foreign trade and exhorted them to take 'proper share in the burdens and with it the profits of this work'.[74] Joshi remarked that after all it was very 'properly *our own work*'; surely, 'no technical training is here required and no large amount of capital in hand'.[75] Moreover, the Khojas and Parsees of Bombay had already opened the field with their pioneering work in the markets of China and Eastern Africa. Certainly their example could be followed and native exporting and importing agencies opened at home and abroad. Similarly, steps should be taken to form at least three native-owned shipping companies in Bombay, Madras, and Calcutta.[76] The *Advocate*, the leading Indian newspaper of the North-Western Provinces and Oudh, put the entire nationalist position succinctly:

> If civilisation is to mark us for her own, we must have an Indian commerce to be carried on with indigenous capital, managed by native talent and, if possible, carried in steamers owned by Indians, flying the British flag. It may be a dream, nay, even a day dream, but nothing less than this will advance the Indians as a nation.[77]

Lastly, we need take note of the fact that a few of the nationalist economists were even able to grope towards an understanding of the phenomenon of the terms of trade being against India as a result of its being under the compulsion of producing an unrequited export surplus. Here they were obviously guided by John Stuart Mill's dictum, quoted as early

73. Joshi, *op. cit.*, p. 666.
74. *Ibid.*, p. 625. Also pp. 633, 666; *Hindustani*, 16 Sept. (*RNPN*, 24 Sept. 1891); *Bharat Jiwan*, 4 July (*RNPN*, 13 July 1898).
75. Joshi, *op. cit.*, p. 634.
76. *Ibid.*, pp. 806-7.
77. *Advocate*, 19 June (*RNPN*, 21 June 1902).

as 1870 by Dadabhai Naoroji, that 'a country which makes regular payments to foreign countries, besides losing what it pays, loses also something more by the less advantageous terms on which it is forced to exchange its productions for foreign commodities.'[78] Many other Indians reproduced or echoed these words of Mill. For example, in 1888, Joshi very penetratingly remarked that 'the necessity of making these large annual payments to England in the shape of *excess-exports* tends to give a *compulsory* character to a large portion of our exports, involving derangement of prices. . . .'[79] Similarly D. E. Wacha could discern that a debtor country was forced to part with its produce at low prices and that larger exports under such circumstances meant 'nothing short of larger sacrifices of national wealth'.[80] Among non-economists, the *Amrita Bazar Patrika* made the same point quite distinctly in its issue of 17 July 1892.

III. EXPORT OF FOODGRAINS

One aspect of foreign trade, namely export of foodgrains, was commented upon rather extensively by the Indian leadership at the popular level of small newspapers. Apart from Bengal, politically the most advanced part of India, this question was taken up most vocally in the North-Western Provinces and Oudh and the Punjab, which were the main sources of the rapidly growing wheat exports.

The volume and value of export trade in foodgrains varied from year to year, due to shifts in demand or supply, but its general character is illustrated by the following figures:[81]

	Cwt.	Rs. *lakhs*
Average 1882-3 to 1891-2	48,267,117	17,82
„ 1892-3 to 1901-2	42,268,345	17,89
Year 1904-5	102,021,341	41,11

78. Quoted in Naoroji, *Essays*, p. 101.
79. Joshi, *op. cit.*, p. 641.
80. Wacha, *Rep. INC* for 1898, p. 105. Also see Ray, *Poverty*, p. 36; Nundy, *op. cit.*, p. 125; G. S. Iyer, EA, pp. 357-8.
81. *Imperial Gazetteer* (1908), Vol. III, p. 284.

Rice was mainly exported from Burma and wheat and pulses from India. While in 1869, India exported 275,481 cwts. of wheat, in 1873-4, it exported 1,755,954 cwts., in 1882-3, 14,193,763 cwts. and in 1891-2, 32,740,000 cwts.[82]

Nationalist opinion was strongly critical of export of foodgrains for various reasons, but mainly because it was seen as one of the principal causes of chronic scarcity of foodgrains and famine conditions in the country, and even of its poverty.[83] For instance, in the non-famine year of 1891, the *Oudh Punch*, the satirical nationalist Urdu Weekly of Lucknow, remarked rather pungently:

> The grain exported from this country at present is really so much of the life-blood of famine-stricken natives. The bags of grain are, as it were, bags of natives, whom the civilised cannibals of England will eat after killing them with the sword of free trade.[84]

The *Bharat Jiwan*, the premier Hindi weekly of North India, warned in its issue of 19 January 1900: 'If these exports are

82. Durga Parshad, *op. cit.*, p. 224.

83. *Aftab-i-Punjab*, 9 May (*RNPPN*, 19 May 1883); *Samaya*, 27 Oct., *Som Prakash*, 27 Oct. (*RNPBeng.*, 1 Nov. 1884); *Dacca Prakash*, 2 Nov. (*ibid.*, 8 Nov. 1884); *Kaisai-i-Akhbar*, 3 June (*RNPP*, 9 June 1888), *Rozana-i-Punjab*, 21 Jan. (*ibid.*, 2 Feb. 1889); *Bangabasi*, 2 Feb., 6 July (*RNPBeng.*, 9 Feb., 13 July 1889); *Navavibhakar Sadharani*, 27 May (*ibid.*, 27 May 1889); *Hindustani*, 22 Apr. (*RNPN*, 30 Apr. 1891); *Hindi Pradip*, March, *Nyaya Sudha*, 13 May, *Cawnpore Gazette*, 15 May, *Nairang*, 11 May (*ibid.*, 21 May 1891); *Bharat Jiwan*, 15 Feb. (*ibid.*, 18 Feb. 1892); Nearly all papers from the Punjab covered in the *RNPP* for 10, 24 Jan., 21 Feb., 21, 28 March, 4, 11, 18, 25 Apr., 2, 23 May, 19 Dec. 1891, 28 Jan., 21 Feb., 11 March, 22, 29 Apr. 1893, 20 July 1895, 26 March, 28 May, 4 June, 30 July 1898, 28 Oct. 1899, 30 June 1900; *Dainik-o-Samachar Chandrika*, 22 June (*RNPBeng.*, 30 June 1891); *Hitavadi*, 25 July (*RNPBeng.*, 1 Aug. 1891); *Burdwan Sanjivani*, 28 July (*ibid.*, 8 Aug. 1891); *Bengalee*, 23 Jan. 1892; *Banganivasi*, 22 Nov. (*RNPBeng.*, 23 Nov. 1895); *Bharat Jiwan*, 18 May, *Anjuman-i-Hind*, 23 May (*RNPN*, 26 May 1896); *Hindustan*, 13 Oct. (*ibid.*, 14 Oct. 1896); *Rahbar*, 16 Feb. (*ibid.*, 24 Feb. 1897); *Najm-ul-Hind*, 18 Apr., *Dabdaba-i-Qaisari*, 16 Apr. (*ibid.*, 20 Apr. and 27 Apr. 1898 respectively); *Hindustan*, 20 May, *Hindustani*, 18 May (*ibid.*, 25 May 1898); *Kashi Vaibhav*, 26 May, *Oudh Akhbar*, 25 May (*ibid.*, 1 June 1898); *Bharat Jiwan*, 27 June, *Sudesha Pravartak*, June (*ibid.*, 6 July 1898); *Bharat Jiwan*, 7 Aug., 2 Oct. (*ibid.*, 16 Aug., 11 Oct. 1899); Nundy, *op. cit.*, p. 113; G. S. Iyer in *Indian Politics*, p. 189, EA, pp. 278-9, 285; *Nasim-i-Agra*, 15 May, *Roznamcha-i-Qaisari*, 15 May (*RNPN*, 18 May 1901); *Indian People*, 24 July 1903; Dutt, *EHII*, p. 127 (f.n.)

84. *Oudh Punch*, 21 May (*RNPN*, 28 May 1891).

not checked, India will be turned into a wilderness in course of time.'[85]

The nationalists believed that export of foodgrains was a cause of poverty and famine because India sent out not its surplus of foodgrains but the stock which was required to meet its daily needs; in reality, Indians were half-starved in order to make possible the trade in their foodstuffs.[86] 'Thus the foreign merchants are snatching away the bread from the mouths of the people', wrote the *Hitavadi* of 25 July 1891, and the ryot 'must starve his own family in order to fill the bellies of foreigners.'[87] Similarly, R. C. Dutt emphasised that 'under the cheering appearance of a brisk grain trade lies concealed the fact that the homes and villages of a cultivating nation are denuded of their food to a fatal extent. . . .' This was also shown by the fact that 'even on the eve of great famines the export of food goes on as briskly as ever'.[88] It was of course true, noted the Indians, that during famines export of grains was reduced. But, then, they claimed, the real damage had already been caused when, in the normal years, the reserve or surplus stocks of foodgrains that might have been used to obviate hardship in the years of famine were exhausted by their export.[89] In a country like India which suffered so often from the vagaries of weather the real surplus of foodgrains could be properly calculated, it was claimed, only after providing for the shortages of the years of food deficit.[90]

But if the Indian people had no true grain surpluses, why did they sell and export their produce? Why did they not

85. RNPN, 30 Jan. 1900.

86. *Bangabasi*, 2 Feb. (RNPBeng., 9 Feb. 1889); *Dainik-o-Samachar Chandrika*, 22 June (*ibid.*, 30 June 1891); Nundy, *op. cit.*, p. 113; G. S. Iyer, EA, pp. 85, 110.

87. RNPBeng., 1 Aug. 1891.

88. Dutt, EHII, p. 349. Also p. 536.

89. *Dainik-o-Samachar Chandrika*, 22 June 1891, 4 Sept. 1895 (RNPBeng., 30 June 1891 and 7 Sept. 1895); *Hitavadi*, 25 July (*ibid.*, 1 Aug. 1891); *Burdwan Sanjivani*, 28 July (*ibid.*, 8 Aug. 1891); *Bharat Jiwan*, 18 May, *Anjuman-i-Hind*, 23 May (RNPN, 26 May 1896); *Bharat Jiwan*, 2 Oct. (*ibid.*, 11 Oct. 1899); Wacha in CPA, pp. 585-6; G. S. Iyer, EA, pp. 110-11.

90. *Hitavadi*, 25 July (RNPBeng., 1 Aug. 1891).

keep it for the rainy days? As pointed out earlier, the answer was that the entire export trade of India was forced and unnatural. The necessity of paying to the state or the landlord excessive land revenue or rent at fixed periods and in money compelled the peasants to sell their grain, and the problem of marketing it combined with the need to maintain an export surplus forced the country to sell this grain in foreign markets.[91]

Export of foodgrains was harmful for another reason also: it pushed up the prices of the most basic needs of the people, so that 'the inevitable result is starvation and death'.[92] 'Not 30 years ago', said Lala Murlidhar at the Nagpur Congress of 1891, 'wheat sold at one and a half, and grain at two maunds for the Rupee, for our grain was not exported to foreign lands. Now it is six times as dear, and six times as hard for the poor to fill their bellies.'[93]

As a result of this attitude, a large section of the national leadership recommended some sort of governmental check on the free and unlimited export of foodgrains.[94] Some of them

91. Dutt, *EHII*, pp. 348-9, 534-6. Also see Chapter XIII.

92. Wacha in *CPA*, p. 587. See also Joshi, *op. cit.*, pp. 611, 613; *Kaisai-i-Akhbar*, 3 June (*RNPP*, 9 June 1888); *Akhbar-i-Am*, 29 Jan. (*ibid.*, 2 Feb. 1889); *Aftab-i-Punjab*, 5 June (*ibid.*, 15 June 1889); *Hindustani*, 22 Apr. (*RNPN*, 30 Apr. 1891); *Nyaya Sudha*, 13 May, *Cawnpore Gazette*, 15 May, *Nairang*, 11 May (*ibid.*, 21 May 1891); *Bharat Jiwan*, 15 Feb. (*ibid.*, 18 Feb. 1892); *Siraj-ul-Akhbar*, 16 Feb. (*RNPP*, 21 Feb. 1891); *Kaisar-ul-Akhbar*, 18 March (*ibid.*, 21 March 1891); *Aftab-i-Punjab*, 20 March (*ibid.*, 28 March 1891); *Imperial Paper*, 11 Apr. (*ibid.*, 18 Apr. 1891); *Delhi Punch*, 22 Apr. (*ibid.*, 2 May 1891); *Khair-Khwah-i-Alam*, 8 May (*ibid.*, 23 May 1891); *Aftab-i-Hind*, 16 May (*ibid.*, 6 June 1891); *Rahbar-i-Hind*, 20 July (*ibid.*, 1 Aug. 1891); *Paisa Akhbar*, 14 Dec., *Koh-i-Nur*, 12 Dec. (*ibid.*, 19 Dec. 1891); *Paisa Akhbar*, 13 May (*ibid.*, 28 May 1898); *Umballa Gazette*, 24 May (*ibid.*, 4 June 1898); *Hitavadi*, 25 July (*RNPBeng.*, 1 Aug. 1891); *Bengalee*, 23 Jan. 1892; Ray, *Poverty*, pp. 174-5; *Rahbar*, 16 Feb. (*RNPN*, 24 Feb. 1897), *Najm-ul-Hind*, 8 Apr. (*ibid.*, 20 Apr. 1898); *Dabdaba-i-Qaisari*, 16 Apr. (*ibid.*, 27 Apr. 1898); *Hindustani*, 18 May, *Hindustan*, 20 May (*ibid.*, 25 May 1898); *Kashi Vaibhav*, 26 May, *Oudh Akhbar*, 25 May (*ibid.*, 1 June 1898). The nationalist view that a general rise of prices was harmful and not beneficial to the general mass of people has been examined above.

93. Lala Murlidhar, *Rep. INC for 1891*, p. 21.

94. *Aftab-i-Punjab*, 9 May (*RNPPN*, 19 May 1883); *Akhbar-i-Am*, 29 Jan. (*RNPP*, 2 Feb. 1889); *Aftab-i-Punjab*, 5 June (*ibid.*, 15 June 1889); *Paisa Akhbar*, 14 Dec. (*ibid.*, 19 Dec. 1891); *Bharat Jiwan*, 15 Feb. (*RNPN*, 18 Feb.

advocated the imposition of a high export duty on foodgrains;[95] some others went so far as to urge a complete embargo on grain exports.[96] Voices in support of the latter course rose particularly high during the famine-years, 1896-8.[97] At the same time, a few of them noted that the government did not take any such action to check or stop grain exports even during famines. They, therefore, began to argue that the real policy of the government was to promote export of grains at any cost in order to benefit the people of England, who thus got their food-stuffs cheaply.[98] As opposed to this predominant anti-export trend, only a microscopic minority of Indian newspapers supported export of foodgrains even in non-famine years.[99]

1892); *Singh Sahai*, 11 Jan. (*ibid.*, 21 Jan. 1893); *Taj-ul-Akhbar*, 8 Apr. (*ibid.*, 22 Apr. 1893); *Bharat Jiwan*, 19 Jan. (RNPN, 30 Jan. 1900); Ray, *Indian Famines*, p. 64; *Bengalee*, 28 Apr. 1901.

95. *Navavibhakar Sadharani*, 27 May (RNP*Beng.*, 1 June 1889); *Hindustani*, 22 Apr. (RNPN, 30 Apr. 1891); *Nyaya Sudha*, 13 May, *Cawnpore Gazette*, 15 May, *Nairang*, 11 May (*ibid.*, 21 May 1891); *Rahbar-i-Hind*, 20 July (RNPP, 1 Aug. 1891); *Paisa Akhbar*, 13 May, 20 July (*ibid.*, 28 May, 30 July 1898); *Sada-i-Hind*, 16 Oct. (*ibid.*, 28 Oct. 1899); *Hindi Hindustan*, 24 May (RNPN, 1 June 1901); ABP, 9 July 1901; G. S. Iyer, EA, pp. 111-2, 290.

96. *Kaisai-i-Akhbar*, 3 June (RNPP, 9 June 1888); *Rozana-i-Punjab*, 28 Jan. (*ibid.*, 2 Feb. 1889); *Dost-i-Hind*, 3 Apr. (*ibid.*, 11 Apr. 1891); *Aftab-i-Punjab*, 20 March (*ibid.*, 28 March 1891); *Delhi Punch*, 22 Apr. (*ibid.*, 2 May 1891); *Koh-i-Nur*, 4 Feb., 8, 22 Apr. (*ibid.*, 21 Feb., 22, 29 Apr. 1893); *Paisa Akhbar*, 27 Feb. (*ibid.*, 11 March 1893); *Dainik-o-Samachar Chandrika*, 12 May (RNP *Beng.*, 14 May 1892), and 4 Sept. (*ibid.*, 7 Sept. 1895).

97. *Taj-ul-Akhbar*, 6 July (RNPP, 20 July 1895); *Paisa Akhbar*, 20 March, 20 July (*ibid.*, 10 Apr., 30 July 1897); *Umballa Gazette*, 24 May (*ibid.*, 4 June 1898); *Civil and Military News*, 18 Oct.; *Taj-ul-Akhbar*, 14 Oct. (*ibid.*, 28 Oct. 1899); a correspondent in *Sialkot Paper*, 1 Apr. (*ibid.*, 7 Apr. 1900); *Hamdard-i-Hind*, 16 June (*ibid.*, 30 June 1900); *Anjuman-i-Hind*, 23 May (RNPN, 26 May 1896); *Zamanah*, 17 Sept., *Anis-i-Hind*, 16 Sept. (*ibid.*, 23 Sept. 1896); *Hindustan*, 13 Oct. (*ibid.*, 14 Oct. 1896); *Hitavadi*, 13 Nov. (RNP *Beng.*, 21 Nov. 1896); *Sanjivani*, 26 Dec. (*ibid.*, 2 Jan. 1897); All the Uriya papers for the week ending 13 Jan., RNP*Beng.*, 6 Feb. 1897; ABP, 22 Jan. 1897; *Dnyan Prakash*, 26 May, *Bombay Samachar*, 28 May (RNPBom., 28 May 1898); *Bharat Jiwan*, 3 Jan. (RNPN, 5 Jan. 1898); *Jami-ul-Ulum*, 28 Sept. (*ibid.*, 9 Oct. 1900).

98. *Native Opinion*, 25 May 1884, *Navavibhakar Sadharani*, 27 May (RNP *Beng.*, 1 June 1889); *Paisa Akhbar*, 3 Apr. (RNPP, 15 Apr. 1893); *Bharat Jiwan*, 9 Apr. (RNPN, 17 Apr. 1900); G. S. Iyer, EA, pp. 115-7.

99. *Mahratta*, 24 Feb. 1884; *Victoria Paper*, 16 Dec. (RNPP, 23 Dec. 1893), 8 Nov. (*ibid.*, 17 Nov. 1900).

Interestingly enough, though not unexpectedly, the approach of Indian merchants engaged in the export trade of foodgrains was the very reverse of the one adopted by the national leadership. They favoured expansion of this trade and vigorously opposed the existing export duty on rice. For example, in 1882, Durga Charan Laha, the famous merchant of Calcutta and member of the Imperial Legislative Council, described the rice duty as an 'objectionable item in our customs-tariff' and claimed that its abolition would benefit the masses 'by enabling them to find a better market, and better prices for their produce'.[100] Similarly, the Secretary of the Bengal National Chamber of Commerce strongly protested, while addressing the annual conference of the Chamber on 8 April 1889, against 'the heavy impost that continues to be levied on the export of rice from this country'.[101]

IV. CONCLUSION

In conclusion, it may be noted that the Indian national leaders were far ahead of their times in their appraisal of the role of foreign trade in the economy of a country. They refused to look upon it as an end in itself or as being good in itself simply because the prevailing theory of the benefits of international division of labour decreed so. Even though their comment on this topic was not as extensive as on some other aspects of Indian economy,[102] it highlighted the central characteristics of India's foreign trade and viewed it in relation to its impact on general welfare of the people. As we have seen

100. *LCP*, 1882, Vol. XXI, p. 291. This view was naturally supported by the English merchants of Calcutta (speech by A. B. Inglis, *ibid.*, p. 300). D. C. Laha repeated the demand in 1889 (*LCP*, 1889, Vol. *XXVIII*, p. 141).

101. *Report of the Bengal National Chamber of Commerce for* 1888, p. 5.

102. This was in part due to the fact that the Indian leaders, except for the economists, dealt, in general, with specific economic issues and foreign trade was a very wide general topic which could not easily become the subject of a concrete agitation. Not one of the innumerable Congress resolutions over the years, for example, dealt with foreign trade. Moreover, the very paucity of nationalist comment on foreign trade is an indication of their lack of interest in the question for its own sake.

earlier, Indian spokesmen considered the merits and demerits of foreign trade entirely from the standpoint of its relation to, and its effects on, national income, national industries, and employment. For the same reason, they had no basic or doctrinal abhorrence of foreign trade as such, nor did they believe that all foreign trade was harmful. They were not against 'natural' foreign trade, i.e., trade based on the industrial and welfare needs of a country. They only took objection to the undesirable, colonial character and the forced nature of Indian foreign trade. Consequently, they wanted the needs of industry to determine the extent, nature, and direction of foreign trade, and not vice versa. This was vividly put by G. S. Iyer in a speech before the Congress Session of 1901:

> To place India's trade on a natural basis, the basis namely, that the large and unlimited market supply of her teeming population should be mainly reserved for the products of her indigenous industries and that what may remain as surplus should be exported to foreign countries in exchange for what cannot be produced or manufactured here, to do this is the only means of averting the disaster that threatens to work India's complete economic ruin in the near future.[103]

The same approach had earlier been advocated by Ranade as follows:

> What we have to do in each case is to learn by organised co-operation to compete with the Foreigner, and take in as much Raw Produce from Abroad as we need, and work it up here, and to send in place of our Exports of Raw Produce, the same quantities in less bulky, but more valuable, forms, after they have undergone the operation of Art manipulation, and afforded occupation to our Industrial Classes.[104]

Therefore, to Indian leaders, industry was the primary and trade only a secondary motive-force of the national economy. Accordingly, they extolled the ancient foreign trade of India

103. G. S. Iyer, *Rep. INC for* 1901, p. 126.

104. Ranade, *Essays*, p. 118. Also see Naoroji in *CPA*, p. 164; Joshi, *op. cit.*, pp. 666-7; Wacha, *Rep. INC for* 1898, p. 105; Dutt, *Speeches II*, p. 127.

and proudly held it up as an example to be followed.[105] They favoured import of machines and raw materials and export of manufactured goods. They even espoused the cause of increasing imports of manufactured goods, provided India was economically prospering, and not declining, and provided such imports promoted, and not retarded, economic growth. In fact, they held up such an increase as a bait before British statesmen, capitalists, and workingmen for getting economic and political reforms introduced in India. Writing in the British journal, *Contemporary Review*, in 1887, Dadabhai Naoroji, after lamenting the fact that 'British India is by far the most wretched customer for British produce or manufactures', waxed eloquent as to what could be:

> If British India took only £1 per head, England would export to British India alone as much as she exports at present to the *whole* world (£213,000,000). What an amount of work would this give to British industries and produce! . . . If India prospered and consumed British produce largely, what a gain would it be to England and to the whole world also!

And he concluded: 'It would be so if British India were allowed to grow freely under natural economic conditions'.[106] Nearly fourteen years later, R. C. Dutt gave similar advice to his audience at the Philosophical Institution, Glasgow:

> Our interests and yours are closely allied and not divergent. If *our manufactures were revived, and industrial prosperity once more restored to India*, the three hundred million people of India could become the largest customers of your manufactures. . . . It is by making the population of India prosperous that your trade with India can prosper.[107] (Emphasis added).

Thus, we find that Indian leaders favoured foreign trade based on equality and mutual advantage and believed that increas-

105. See, for example, Bholonath Chandra's essay, R. C. Dutt's writings and speeches, and G. S. Iyer's *Some Economic Aspects of British Rule in India*.

106. Naoroji, *Speeches*, pp. 601, 603 and 604 respectively. See also Naoroji, *ibid.*, pp. 115-6, 190, 530, in CPA, p. 164.

107. Dutt, *Speeches II*, pp. 82-3. Also see *EHII*, pp. 344, 617.

ing national wealth was the key to growing trade and not vice versa.

In the end, attention may be drawn to another significant conclusion that emerges from this examination of the nationalist attitude towards the country's foreign trade. It is clear that even in the realm of trade Indian leaders were, for all intents and purposes, devoted to the cause of industry—whose interests were always kept uppermost in their thoughts—to the almost complete exclusion of interests purely commercial. After all, the growing foreign trade did act as a catalytic agent in opening and widening the Indian market and, thus, also giving a fillip to domestic commerce; the destruction of the union between handicrafts and agriculture also had the same effect; with the result that a large class of native commercial bourgeoisie arose, prospered, and multiplied on the ruins of the domestic industry and with the aid and abetment of foreign trade.[108] But the early Indian national leaders showed little sympathy for this growing class of Indian middle-men of foreign trade. They did not speak even on the question of trade with the accents of a commercial bourgeoisie benefiting from the opening of the Indian market and the growing commodity circulation *albeit* in foreign goods and agricultural raw materials; theirs was, instead, the authentic voice of people vitally interested in the industrial future of the country. Obviously, they were not linked, intellectually or otherwise, with the rising commercial bourgeoisie. Apart from other things, this is also rather well brought out by their attitude towards trade in foodgrains. Even in the Punjab and the North-Western Provinces and Oudh, the hinterlands of grain exports, where more or less no modern industry existed and where the rising capitalist class was mostly commercial and to some extent dependent on export of foodgrains, opposition to such exports was quite loud, testifying to the lack of hold of the commercial bourgeoisie on the rising national leadership even in the industrially-backward parts of the country.

108. K. S. Shelvankar, *The Problem of India* (London, 1940), pp. 151-3, 166-7.

CHAPTER V

Railways

> The development of the country by the construction of railways.. is the method by which we can materially improve the condition of the vast population dependent upon agriculture most surely and most steadily.
>
> — LORD ELGIN

> The Indian people feel that this construction is undertaken principally in the interests of English commercial and moneyed classes, and that it assists in the further exploitation of our resources.
>
> — G. K. GOKHALE

The construction of railways had a revolutionary impact on the life, culture, and economy of the Indian people. Not till their establishment could the British truly penetrate Indian life, link India with the growing world market, and set it on the path of capitalist development. As a matter of fact, railways began, in course of time, to be looked upon by the alien rulers of the country as a panacea for all its economic ills, and their development was pressed on with vigour and vehemence, getting priority over every thing else.

The history of the construction of the Indian railways is, no doubt, 'an oft-told tale'; nevertheless, we take the liberty of giving here a brief resumé in order to better appreciate the approach of the early Indian national leadership towards the various issues emanating from railway construction in the country.

I. A BRIEF HISTORICAL SKETCH[1]

The earliest proposal to build a railway in India seems to have been made in Madras in 1831-2. But this railway was to depend for its haulage-power on animals. Steam railways for India were for the first time projected in 1843, this time in England. The Court of Directors of the East India Company was, however, lukewarm in its response to this proposal, as they anticipated the failure of railway projects in India. But they found it difficult to resist for long the strong political and economic pressure at home exerted by the railway promoters, financiers, mercantile houses trading with India, and the textile manufacturers of Lancashire.[2] Their own Governor-General in India, Lord Hardinge, 'calmly reported that the plains of "Hindoostan" offered remarkable facilities for building railways which would be of immense value to the commerce, government, and military control of the country.'[3] After the proposal for the construction of railways in India had been accepted, a short struggle ensued between the Court of Directors and the railway promoters on the question of government guarantee of a minimum interest or dividend on private capital invested in Indian railways. This discussion too ended in favour of the promoters and, in 1849, the Secretary of State for India signed the first railway agreements with the East India Railway Company and the Great Indian Peninsula Railway Company. The main stipulations of these contracts were as follows: (1) The construction and operation of railways in India was to be carried on by private companies. (2) The East India Company guaranteed five per cent interest for a period

1. This section is primarily based on Daniel Thorner, *Investment in Empire* (Philadelphia, 1950); Horace Bell, *Railway Policy in India* (London, 1894); Jenks, *op. cit.*; *The Imperial Gazetteer of India*, Vol. III, *op. cit.*; N. Sanyal, *Development of Indian Railways* (Calcutta, 1930); and R. D. Tewari, *Railways in Modern India* (Bombay, 1941).

2. The reasons for, and the nature and extent of, this pressure and the method of its application are discussed at length by Thorner, *op. cit.*

3. *Ibid.*, p. 63.

of ninety-nine years on the capital raised by the companies. (3) It also undertook to grant all the required land, free of cost, on a lease for ninety-nine years. (4) In return for these privileges, the Company retained the right to control the expenditure and operations of the railways. (5) The railways were to carry the mails free of charge, and troops and military stores at reduced rates. (6) Any surplus profits, i.e., profits over and above the guaranteed rate of interest, were to be shared by the East India Company and the railway companies until the past advances by way of guarantee were repaid in full. Thereafter, all the profits were to go to the railway companies. (7) At the end of ninety-nine years the railways were to pass, without any compensation, into the possession of the Government of India which had to pay only for machinery, plant, and rolling stock. (8) The East India Company could purchase the railways earlier, after the first twenty-five years or the first fifty years, by paying the full value of capital stock and shares. (9) The railway companies could, in turn, surrender the railways to the East India Company at any time, by giving six months' notice, and could, thereafter, claim repayment of all the actual capital invested.

These early contracts became the prototypes of all the later ones signed in the next two decades. But the controversy regarding the best method, policy, and speed for the construction of railways in India was by no means over at this time. It raged intensely and furiously for a few more years, when it was temporarily resolved in favour of rapid construction with British capital and through guaranteed companies incorporated in England. This policy was clearly enunciated by Lord Dalhousie in his famous and exhaustive minute written in 1853 in which he pointed to the important role that India could play as a market for British manufactures and a supplier of agricultural raw materials once its means of communication were scientifically developed, to the potentialities of India as a field of investment for British capital, and to the great use of railways in enabling more rapid mobilisation and movement

of troops.[4] He proposed, as a first step, a system of four main trunk lines which would connect the several presidencies with each other and the interior of each presidency with its natural port. This system of trunk lines was calculated to provide the steel-frame for facilitating the export of the agricultural products of the country.

By the end of 1869, when this policy was changed, 4,255 miles of railways had been constructed by guaranteed companies. The guaranteed rate of interest during this period varied from four and a half to five per cent.

The cost of the railways constructed before 1869 proved to be very high and uneconomical. From the very beginning, the government had to make heavy payments to the companies on account of the guarantee. While Lord Dalhousie had estimated the average cost of railways to be £8,000 per mile, it actually came to nearly £18,000 per mile without reckoning the cost of land which was given free.[5] This was due to multifarious causes, e.g. pioneering nature of the work, lack of skilled labour, ignorance of local conditions, lack of experience, choice of broad gauge, high but unnecessary standard of construction, unnecessary doubletracking, etc.; but the chief factor responsible for the high cost was the system of excessive guarantees, which left no incentive to the companies to economise in construction or operation. On the contrary, it almost encouraged wasteful expenditure, for higher the capital expenditure greater the safe guaranteed-interest return. 'All the money came from the English capitalist', testified W. N. Massey, an ex-Finance Member of India, in 1872, 'and so long as he was guaranteed five per cent on the revenues of India, it was immaterial to him whether the funds he lent were thrown into the Hooghly or converted into brick and mortar.'[6]

4. W. W. Hunter, *The Marquess of Dalhousie* (Oxford, 1895), pp. 192-4; Jenks, *op. cit.*, p. 212.

5. Some of the railways in the USA were built, including the cost of land, for only £2,000 per mile. Buchanan, *op. cit.*, p. 183.

6. Quoted in Jenks, *op. cit.*, pp. 221-2. Another Finance Member, Rt. Hon. S. Laing, had raised the same question in 1861 in an official minute [quoted in H. M. Jagtiani, *The Role of the State in the Provision of Railways* (Lon-

'Consequently, the earnings which might have been sufficient to pay interest charges on a reasonable expenditure, proved inadequate to meet the guarantee on the outlay actually incurred, and Government had to make good the deficit.'[7] This regular and mounting deficit[8] put a heavy strain on the state finances of India and made the slowing down of railway construction inevitable. In a long and lucid minute written in January 1869, Sir John Lawrence, the Governor-General, proposed that the existing system, under which 'the whole profit goes to the companies, and the whole loss to the Government',[9] should be scrapped, and that, if as a result of the withdrawal of the system of guarantee private enterprise was not forthcoming in future, new railways should be built and worked directly by the state with money borrowed at a lower rate of interest than the guaranteed rate or taken directly from the revenues. The proposal was accepted by the Secretary of State, and from 1870 to 1880 railways were built by the government on its own account. Up to 1880 nearly 2,493 miles of railways were built through the agency of the government, the total mileage being 8,494.

Even though financially cheaper and more successful than the guaranteed railways, the system of state railways soon came under attack primarily for the failure in accelerating the speed of construction. State revenues proved to be insufficient for the purpose.[10] For achieving the speed of railway construction

don, 1924), p. 98]. The Government of India also pointedly criticised this aspect of the railway construction in its despatch of March 1869 to the Secretary of State. Quoted in Bell, *op. cit.*, p. 98.

7. *Imperial Gazetteer*, Vol. III, p. 368.

8. The Government of India in its despatch of 28 March 1869 pointed out that the average income of Indian railways at the time was just 3 per cent, the result being that the rest of the guaranteed interest had to be borne by the government (cited in Bell, *op. cit.*, p. 97). From 1858-59 to 1869-70, the total burden of the guarantee was nearly £14 millions, it being nearly £1.65 millions in the year 1868-69 (Tewari, *op. cit.*, p. 56).

9. Quoted in Bell, *op. cit.*, p. 94.

10. The general provision laid down in this respect was that the total burden of railways on state finances, whether due to direct expenditure from revenue or to the servicing of the railway debt, should not exceed a certain specified limit. This limit was often raised but the principle of a definite limit was always adhered to.

desired by the authorities in India and England[11] and recommended by the Famine Commission of 1880, which suggested that in order to be safe from famines the country needed about 20,000 miles of railways, a reversal of the current policy was vigorously advocated, first of all, by the Government of India itself, under Lord Ripon. A Parliamentary Select Committee was appointed in 1884 to go into the question at length. It recommended more rapid extension of railways and the use of both types of agencies, the private and the state, for the purpose. However, since private enterprise did not venture into the field on its own, the government had once again to fall back on the guarantee system, though on terms which were less onerous. Simultaneously, state agency also continued to be utilised. From now on, railway expansion was pushed on speedily—even at 'break-neck speed' according to some people. By 30 June 1905, nearly 28,054 miles of railways built at a cost of 359 crores of rupees (or £240,000,000) were open to traffic.

In the end, we would like to underline four major aspects of the Indian railway development up to 1905 that emerge from this brief historical survey:

(a) For all practical purposes Indian capital played a negligible part in the construction of Indian railways which were primarily financed by British capital. The capital which came to India from England for railway construction 'formed the largest single unit of international investment in the nineteenth century'.[12]

(b) Real private enterprise 'in the sense of an enterprise willing to take risks of loss' was almost absent in the case of Indian railways, since their promoters and financiers were un-

11. The Brtish merchants and industrialists were dissatisfied with the existing dimensions of Indian foreign trade and were elamouring for better transport facilities so that the immense Indian market in the interior might be fully exploited and raw materials from the remotest field speedily carried to Britain. In fact, proper economic exploitation of India demanded adequate modern auxilliary facilities. There was also the renewed pressure of investors who looked upon guaranteed railways as a field for safe investment.

12. Thorner, *op. cit.*, p. viii.

willing to face the normal hazards of enterprise. Instead, they preferred either to operate through government guarantees or to invest in government bonds issued for railway construction.

(c) Until the close of the century, Indian railways were not able to pay the interest charges on the capital invested in them. Up to 1900, when they yielded a net profit for the first time, the government had borne the huge burden of nearly 76 crores of rupees on account of guaranteed interest.

(d) The railways were built at quite a fast pace during the closing years of the period under study, in spite of the fact that these were on the whole years of financial difficulties for the government and famines and plague for the people. While 17,308 miles of railways were constructed from 1850 to 1891, nearly 10,746 miles were built during the comparatively short period of 1892 to 1905. As Jenks has pointed out, 'not even in Great Britain had railway development been carried on so rapidly, and the railways which France absorbed were built at a slower rate.'[13]

II. NATIONALIST VIEWS ON PACE OF RAILWAY EXTENSION

As the construction of railways gathered speed over the years, the spokesmen of Indian opinion felt the necessity of formulating and stating their views and attitudes towards the expansion and the organisational and financial pattern of the Indian railways. The first and the most important question they had to consider was that of the pace at which railway construction should occur, the need for railways as such being never in doubt.

The Indian leaders would not answer this question on purely theoretical grounds. They would not discuss the merits and demerits of railways as such or in abstract. Their attitude was primarily determined by their understanding of the impact of the existing railways on the economic life and welfare of the

13. Jenks, *op. cit.*, p. 227. According to the *Imperial Gazetteer* (p. 414) India led Russia in square miles per mile of line and Japan in inhabitants per mile of line.

Indian people. This was clearly explained by G. V. Joshi in his article, 'The Economic Results of Free Trade and Railway Extension', that appeared in the *Journal of the Poona Sarvajanik Sabha* in October 1884. Referring to the demand for an unlimited expansion of railways in India, and claiming that he was giving 'expression to native public opinion', he wrote:

> It behoves those who fully realize some of the mischiefs which have already resulted, and which threaten to be greatly aggravated in the future, to discuss calmly the principles on which this one-sided development is advocated, and to take stock of the probable economical results of further persistence in this course.... This question cannot be properly answered without giving a thought to the economical and financial results of past State action in this connection.[14]

III. ECONOMIC IMPACT OF RAILWAYS

In the British view the impact of the existing railways on the country had been entirely beneficial.[15] From the beginning the British authorities had, while advocating rapid extension of railways, appealed to philanthropy and declared that railways would help eradicate poverty and famine. John Chapman, one of the chief pioneers of railways in India , had as early as 1844 championed the cause of Indian railways with the observation: 'A clearer case of poverty arising from want of roads, and of a country ready to spring into prosperity on the making of them cannot exist.'[16] The Parliamentary Select Committee of 1884 had recommended rapid extension of railways on the plea that they would give protection against famines, stimulate internal and external trade, open up fertile tracts and coalfields, and in general improve the economic condition of the people.[17] In

14. Joshi, *op. cit.*, p. 685. Similar ideas were expressed by the *Indian Spectator*, 17 Feb. 1884; and G. S. Iyer in 1898 in the *Indian Politics*, p. 182, and in 1903 in EA, p. 267.

15. See Bell, *op. cit.*, pp. 244-5, and the *Imperial Gazetteer*, Vol. III, p. 365.

16. Quoted in Thorner, *op. cit.*, p. 9.

17. Cited in Sanyal, *op. cit.*, p. 146. Chesney claimed in 1894 in his *Indian Polity* that the existing development of railways had made India 'safe' against famines (pp. 343-4).

1896, Lord Elgin, the Governor-General, confidently declared that construction of railways was '*the method by which we can materially improve the condition of the vast population dependent upon agriculture most surely and most steadily*'; and expressed the hope that 'the great railway system of India' could be made 'an all-powerful agent in the promotion of the material and social advancement and political tranquillity of the people.'[18]

On the other hand, the Indian leaders arrived at the very opposite conclusions. Of course, they fully perceived the actual and potential benefits of railways, namely provision of cheap and quick transport, promotion of national cohesion and solidarity, opening of new markets, creation of new employment opportunities, encouragement to internal and foreign trade, prevention of famines, stimulation of agricultural production, 'demonstration' effect on the process of industrialisation, direct encouragement to engineering industries and workshops, and enlargement of the sphere of enterprise in general.[19] But unlike their British counterparts, they did not blur the distinction between the possible and the real. It is true that during the early years of the railways and in a few rare instances even later some of them were dazzled by what the railways could accomplish and whole-heartedly joined in the cry for a fast rate of railway development.[20] However, when they looked

18. (Emphasis added). *LCP*, 1896, Vol. XXXV, p. 345. Also see Curzon, *Speeches II*, p. 280.

19. Naoroji, *Poverty*, p. 193, *Essays*, pp. 122-3, 132; S. N. Banerjea, *Speeches I*, p. 179, in *CPA*, p. 270; *Indian Spectator*, 4 Sept. (*RNPBom.*, 10 Sept. 1881), 17 Feb. 1884; *Mahratta*, 24 Feb., 2 March 1884; *Indu Prakash*, 21 Apr. 1884; *Som Prakash*, 16 June (*RNPBeng.*, 21 June, 1884); *Hindu*, 9 Jan. 1885, 12 May 1902; W. C. Bonnerjea in *CPA*, p. 4; Joshi, *op. cit.*, p. 671; Ranade, *Essays*, p. 87; *Bangabasi*, 5 May (*RNPBeng.*, 12 May 1894); Wacha, *Speeches*, Appendix p. 22; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18963, 18984, in *Indian Politics*, pp. 182, 191; Dutt, *England and India*, p. 130, *Speeches I*, pp. 98, 100-101, *Speeches II*, p. 76; *Bengalee*, 27 Apr. 1901; M. K. Patel, *Rep. INC for 1902*, p. 141.

20. The memorial of the British India Association submitted to the House of Commons in 1853 had criticised the Charter Act of 1833 for not making a provision for 'erecting public works of utility, calculated to develop the resources of the country and promote the growth and increase of commerce

round for actual benefits, they found that some of the benefits were nowhere in sight, while others were overshadowed by the harmful results of railway construction.

As early as 1883, Dadabhai Naoroji complained that 'the misfortune of India is that she does not derive the above benefits, as every other country does'. G. V. Joshi observed in 1888 that the economic results of railways had been 'very detrimental to the varied growth of the nation's industrial activity' and condemned 'their tendency to prevent, in a country like India, a healthy material advance on *normal lines*'. D. E. Wacha stated before the Welby Commission in 1897 that 'from the financial and economic point of view there are (from the railways) certain disadvantages to the people'. In 1898, G. S. Iyer asserted that the existing railway policy had proved to be 'a many-sided evil'. R. C. Dutt believed that the over-all economic effects of the railways 'had not been beneficial'. Tilak was of the view that appliances like railways, telegraphs, and roads were of little benefit to India at that particular stage of its development. They were just like 'decorating another's wife'. Even Justice Ranade concluded that whatever other benefits railways might have conferred they had not 'cured the particular weak-

and manufactures' (quoted in Bholonath Chandra, *Raja Digamber Mitra*, Vol. I, p. 74). For the vigorous support of Ram Gopal Ghose, Dwarkanath Tagore, and the Bombay merchants to early railway enterprise, see Thorner, *op. cit.*, pp. 51, 77, 97. In 1871, Dadabhai Naoroji had described cheap communications as one of the 'crying wants of a country like India' and the 'common-place remedy upon which the material salvation of India depends'. He believed that the construction of railways and canals was 'the only or chief bright spot in the administration of the past fifteen years, for which Government claims, and justly receives, the greatest credit, for which India is most thankful to the English public' (*Essays*, pp. 123, 126; also pp. 103, 106, 108, 128). Also see *Indian Spectator*, 4 Sept. (*RNPBom.*, 10 Sept. 1881); *Jame Jamsed*, 10 Jan. (*ibid.*, 15 Jan. 1881); *Bombay Chronicle*, 9 Jan. (*ibid.*), and 20 March (*ibid.*, 27 March 1881), and 16 Dec. (*ibid.*, 22 Dec. 1883); *Hindustani*, 2 March (*RNPPN*, 5 March 1884); *Hindu*, 9 Jan. 1885. The *Mahratta* of 24 Feb. 1884 wrote: 'Without further extension of railways there is no hope of India ever rising in the scale of nations'. This support seems to have petered out around the year 1884, perhaps as a result of the consideration given to the proceedings and report of the Select Committee of 1884 or as a result of the emergence of Indian industrial interests which began to predominate over the trading interests at about this time.

ness which had crippled the growth of the Nation'.[21] Similar but more extreme and critical opinions were expressed by many of the Indian newspapers. For instance, the *Sahachar* of 30 April 1884 contended that 'extension of iron roads means iron chains'; the *Dainik-o-Samachar Chandrika* of 31 May 1891 declared that railways were impoverishing the country; the *Moda Vritta* of 29 June 1903 maintained that they had 'veritably proved a curse rather than a blessing to this country'; and the *Indu Prakash* of 30 November 1904 alleged that they had undermined Indian prosperity.[22]

The first deleterious effect of railways to be noticed by the nationalists was the injury caused to industrial activity: in the absence of a simultaneous industrial revolution—'the counterpoise of an Indian *grande industrie*'—the transport revolution had merely ruined the existing carrying trade and enabled the cheap machine-products of England to undersell and thus destroy the indigenous handicraft industries. Instead of uplifting the economy, the railways had given it a downward push. India had been increasingly ruralised and gradually transformed into an agricultural colony of Britain. As early as 1884, G. V. Joshi lamented the fact that the railway policy of Lord Dalhousie and his successors had had the effect of 'stamping out' the native industries 'in an astonishingly short space of time' and of 'drawing the nation down a fatal inclined plane to the verge of bankruptcy and ruin'.[23] Justice Ranade was no less forthright in his condemnation of the existing railway policy: it had 'only made competition with Europe more hopeless over larger areas, and facilitated the conveyance of Foreign Goods, to an extent not otherwise possible'; it had, 'except in a few Presidency Towns, killed out Local Indigenous Industries, and made people more helpless than before, by increasing their dependence

21. Naoroji, *Poverty*, p. 193; Joshi, *op. cit.*, pp. 701 and 671; Wacha, *Speeches*, App. p. 22; G. S. Iyer in *Indian Politics*, p. 188; Dutt, *Speeches II*, p. 44; Quoted in Ram Gopal, *op. cit.*, p. 145; Ranade, *Essays*, p. 97 respectively.

22. *RNPBeng.*, 10 May 1884; *ibid.*, 31 May 1891; *RNPBom.*, 4 July 1903; and *ibid.*, 3 Dec. 1904 respectively.

23. Joshi, *op. cit.*, pp. 676-7. Also p. 687.

and pressure on Agriculture as their only resource.'[24] G. S. Iyer put the point very pithily: 'Every additional mile of railway constructed in this country drove a fresh nail into the coffin of one industry or another.'[25] 'And in this manner', he wrote, 'the Railways have to answer for a good deal of the poverty which makes the lot of the Indian poor so miserable.'[26] Similar comments were made by other public men and newspapers of India.[27]

G. V. Joshi went even deeper and observed that in reality the government expenditure on guaranteed interest on railways acted as a subsidy to the foreign trader. 'India is thus asked', he protested, 'to make room for the foreign trader by paying him or his country-men a bounty to facilitate his competition with the native producer.'[28] The native producer was thus further handicapped in the already unequal race with the foreigner.

But was not the destruction of the indigenous industries an inevitable process? Had it not occurred in every country 'touched by the industrial and transport revolution'? And had not railways everywhere brought into existence new types of industrial activity? But, pointed out some of the Indian leaders, the trouble in India's case was that the railways did not 'evolve into pulsing arteries of productive activities', since they created primary employment for coalminers and steel and machine-makers in England and not in India and the benefit of the widening internal market went mostly to the manufacturers of England and not to those of India.[29] Moreover, the

24. Ranade, *Essays*, pp. 86 and 90 respectively.

25. Address to the Madras Provincial Conference at Madura on 22 May 1901, quoted in the *Statesman*, 31 May 1901.

26. G. S. Iyer in *Indian Politics*, p. 193. See also his EA, pp. 262, 271.

27. *Indian Spectator*, 19 Oct. (RNPBom., 25 Oct. 1884); *Hindu*, 23 Jan. 1885; *Bangabasi*, 23 Apr. (RNPBeng., 30 Apr. 1887); *Arya Jana Priyan*, 1 March (RNPM, 31 March 1895); Dutt, *England and India*, p. 81; *Swadesamitran*, 9 Aug. (RNPM, 15 Aug. 1899); *Bengalee*, 27 Apr. 1901; Gokhale, *Speeches*, p. 21; *Rep. INC for 1904*, p. 165; Wacha in CPA, p. 624; M. K. Patel, *Rep. INC for 1902*, p. 141.

28. Joshi, *op. cit.*, pp. 687-8. Also pp. 675, 684, 693. See also G. S. Iyer in *Indian Politics*, p. 193.

29. *Native Opinion*, 9 Sept. (RNPBom., 15 Sept. 1883); *Sasilekha*, 1 Oct. (RNPM, 15 Oct. 1897).

railways did not develop gradually within the womb of Indian economy with the accompanying adjustments but were thrust on the country from without with violent consequences, which led G. S. Iyer to ask: 'Cannot the destructive process be made slower and more gradual so that the people may be given time to recover themselves?'[30]

Of course, some industrialisation along modern lines, particularly in the field of plantations, was fostered by railways. But its gains were mostly garnered by foreign enterprise. This type of economic development really amounted to exploitation of the country by foreign capital.[31]

The second harmful consequence of the railways was the increase in the drain of wealth from India. The Indian leaders pointed out that due to the peculiar political status of the country the railways were built with foreign capital and administered by a host of foreign employees. This involved remittance of a large amount of money in the form of interest and profits, payments for the imported materials and the services of the European staff, and expenditure on the establishments in England.[32] While the payment of interest, forming a small part of railway expenditure, was common to all countries which built railways with foreign funds, the other payments were peculiar to India and it was these which made the impact of the railways on Indian economy so radically different from that on the economies of other, politically free coun-

30. G. S. Iyer in *Indian Politics*, p. 193.

31. Gokhale, *Welby Commission*, Vol. III, Qs. 18140-1, 18155-6; Wacha, *Speeches*, App. p. 22.

32. Naoroji, *Poverty*, pp. 193-5; *Indu Prakash*, 13 Dec. (*RNPBom.*, 18 Dec. 1875); *ABP*, 18 Aug. 1881; *Mahratta*, 3 Feb. 1884, 7 Dec. 1902; *Indian Spectator*, 17 Feb. 1884; *United India*, 11 Aug. (*VOI*, 31 Aug. 1884); Joshi, *op. cit.*, p. 695; *Hindu*, 23 Jan. 1885, 29 Oct. 1897; S. N. Banerjea in *CPA*, p. 270; *Bangabasi*, 25 Apr. (*RNPBeng.*, 2 May 1896); Wacha, *Speeches*, App. p. 23; Tilak, quoted in Ram Gopal, *op. cit.*, p. 145; Dutt. *England and India*, p. 143, *EHII*, p. 605; *Swadesamitran*, 30 Oct. (*RNPM*, 30 Nov. 1897); *Kesari*, 19 Nov. (*RNP Bom.*, 23 Nov. 1901); *Moda Vritta*, 29 June (*ibid.*, 4 July 1903); G. S. Iyer, *Welby Commission*, Vol. III, Q. 19564, in *Indian Politics*, pp. 190-2, and *EA*, pp. 267-70.

tries.[33] As a result of this increased drain, all the other benefits brought about by the railways were very much diminished, if not altogether negated. This is why Dadabhai Naoroji had exclaimed as early as 1876: 'Let us have railways and all other kinds of beneficial public works by all means, but let *us* have their natural benefits, or talk not to a starving man of the pleasures of a fine dinner.'[34] However, remarked G. S. Iyer, even this drain might have been borne by a free country for the other advantages that the railways brought. But India already paid abroad, on other accounts, over £30 millions a year and was, therefore, in no position to bear the additional drain caused by the railways.[35]

Another nationalist criticism of the railways was that they facilitated the export of foodgrains, thus producing insufficiency of food supply in normal times, depleting the country of its normal surpluses, and making it an easy prey to recurring famines.[36] So widespread was this notion that Lord Curzon felt compelled to answer it at length in his closing speech on the Financial Statement for 1901-02. Branding these arguments

33. Naoroji, *Poverty*, pp. 193-5; G. S. Iyer, EA, pp. 268, 270, in *Indian Politics*, p. 190.

34. Naoroji, *Poverty*, p. 195. Also see G. S. Iyer, EA, p. 268.

35. G. S. Iyer, *Welby Commission*, Vol. III, Qs. 19636, 19640-1, 19644, in *Indian Politics*, p. 190. In 1903, he quoted W. T. Thornton to make the same point: 'Railways are good, irrigation is good, but neither one nor the other is good enough to compensate for opening and continually widening a drain, *which has tapped India's very heart-blood* and has dried up the mainsprings of her industrial energy' (W. T. Thornton in *Westminster Review*, 1880, quoted in EA, p. 287).

36. *Bangabasi*, 23 Apr. (*RNP Beng.*, 30 Apr. 1887), and 5 May (*ibid.*, 12 May 1894); *Hitavadi*, 25 July (*ibid.*, 1 Aug. 1891); *ABP*, 20 Sept. 1891; *Arya Jana Priyan*, 1 March (*RNPM*, 31 March 1895); *Dainik-o-Samachar Chandrika*, 6 Jan. (*RNP Beng.*, 9 Jan. 1897); *Bengalee*, 27 Apr. 1901; *Native Opinion*, 8 May (*RNP Bom.*, 11 May 1901); N. K. N. Aiyar, *Rep. INC for 1901*, p. 138; *Moda Vritta*, 29 June (*ibid.*, 4 July 1903); *Suryodaya Prakasika*, 18 May (*RNPM*, 21 May 1904); G. S. Iyer, EA, pp. 110-11, 276. The *Bangabasi* of 6 July 1889 condemned the advocates of the extension of railways as 'greedy white vultures' (*RNP Beng.*, 13 July 1889). To make this point, Wacha quoted paragraph 536 of the Report of the Famine Commission of 1898: 'Though they bring grain to tracts liable to famine in years of drought they also prevent large accumulation of grain in those tracts in years of plenty' (in *CPA*, p. 577).

as involving 'a fallacy of the first order' and being without any foundation, he denied that there had been an increase in the export of foodgrains or that 'this increase has been in the main caused by railways'. In his view it was also not true that a large proportion of the total grain produce of India was exported. On the contrary, the railways enabled the surplus areas to feed the deficit areas and also made possible import of grain from external markets, thus mitigating the severity of famines.[37] As against this, some of the Indian leaders were quick in noticing that even the champions of the railways had completely given up the claim that the railways could prevent famines. They also pointed out that even these claims of mitigation of famines, through imports and internal redistribution were not borne out by the experience of the two famines which occurred at the end of the 19th century.[38] 'For no food was imported from foreign countries, except Burma', argued G. S. Iyer. 'Not only was this not done, but the scanty home supply was depleted during the famine period by a brisk exportation of foodgrains.'[39] Looking at the problem from another angle, the *Bengalee* of 28 April 1901 reasoned that the railways had also hit the food supply of the country, though indirectly, by stimulating the export of commercial crops, which led to a diversion of land from food crops to cash crops.

The nationalist leaders further pointed out that Indian railways were not a commercial success, that they had not been self-supporting for a long time, i.e., practically till the end of the 19th century, and that the losses were borne, not by the foreign investors, but by the government and therefore by the Indian people. They repeatedly stressed that in view of the poverty of the people the burden of these losses was unbearably heavy and in no way commensurate with the benefits derived

37. Curzon, *Speeches II*, pp. 277-9.

38. G. S. Iyer, *EA*, pp. 276-86; *Bangabasi*, 5 May (*RNP Beng.*, 12 May 1894); *Dainik-o-Samachar Chandrika*, 6 Jan. (*ibid.*, 9 Jan. 1897); *Bengalee*, 27 Apr. 1901; N. K. N. Aiyar, *Rep. INC for* 1901, p. 138.

39. G. S. Iyer, *EA*, p. 278.

from the railways.[40] 'Even admitting their utility', asked D. E. Wacha in the Congress Presidential Address of 1901, 'is it possible that any country, much less so poor a country as India, can afford the luxury of the annual losses?'[41]

Some of the Indian leaders were also able to see that whereas the existing railways policy had sedulously favoured the export and import of goods, it had completely neglected, and even hampered, internal trade and industrial development.[42] Making a statistical examination of the slogan, 'Railways make trade', G. S. Iyer found in 1898 that while the total quantity of goods carried by rail and river from one province to another —excluding goods carried to the ports — ranged from 130,451,000 to 167, 065, 640 maunds per year between 1891-2 and 1896-7, the weight of merchandise carried to the ports during the same period varied from 165,105,000 to 185,199,000 maunds.[43] He remarked at another place that if the purpose of the administration had been the promotion of internal trade, more attention would have been paid to the means of transport in the rural areas.[44] With extraordinary acumen, G. V. Joshi had commented in 1888 on the tendency of the rates policy of Indian railways to push up imports and exports. He noted and criticised the fact that whereas 'the goods rates on our Indian lines are much too low, in fact lower than even in

40. S. N. Banerjea, *Speeches* I, p. 179; Resolution adopted at a public meeting in Calcutta on 2 March 1878, quoted in *ibid.*, p. 178; 'Parliamentary Committee on Indian Public Works', *JPSS*, July 1881 (No. 1, Vol. IV), p. 8; *Rast Goftar*, 5 June (*RNP Bom.*, 11 June 1881); Joshi, *op. cit.*, pp. 218, 687; *Tribune*, 25 Apr. (*VOI*, 15 May 1884); *Navavibhakar*, 24 May (*RNPBeng.*, 29 March 1884); *Dacca Prakash*, 30 March, *Bangabasi*, 29 March (*ibid.*, 5 Apr. 1884); *Burdwan Sanjivani*, 22 Apr. (*ibid.*, 26 Apr. 1884); *Som Prakash*, 26 Apr. (*ibid.*, 3 May 1884); *Bharat Mihir*, 13 May (*ibid.*, 24 May 1884); *Dainik-o-Samachar Chandrika*, 31 May (*ibid.*, 6 June 1891); *Lokopakari*, 29 Aug. (*RNPM*, 15 Sept. 1897); *Kesari*, 19 Nov. (*RNP Bom.*, 23 Nov. 1901); Gokhale, *Speeches*, p. 1194, *Welby Commission*, Vol. III, Qs. 18399, 18406; Wacha, *Speeches*, App. pp. 20, 22-3; G. S. Iyer, *EA*, pp. 578-9; Dutt, *EHI*, p. 312, and *Speeches II*, pp. 44, 76-7, *EHII*, p. 605; N. K. N. Aiyar, *Rep. INC for* 1901, p. 138.

41. Wacha in *CPA*, p. 580.

42. G. S. Iyer, *EA*, pp. 270-1.

43. G. S. Iyer in *Indian Politics*, p. 188.

44. G. S. Iyer, *EA*, p. 260.

England and several continental countries,' the railways were at the same time unable to meet their working charges and interest payments and the deficit had to be made good by the exchequer under the guarantee system. Thus, he concluded, 'these payments, on account of the low traffic rates, maintained for promotion of the country's (foreign) trade, do really operate as a *bounty* on that trade paid by the State.'[45] But apart from these few astute observers, this aspect of the railway problem was on the whole neglected by Indian leaders,[46] primarily because Indian industry was as yet not strong enough to challenge the rates policy of the railways, and in any case it too was arising mostly in the port towns, where it could benefit equally well from the rates-bias in favour of the ports. In no case, however, did any section of the national leadership urge a lowering of the goods traffic rates in general and the rates on the raw materials destined for export in particular, as was demanded by the growing commercial bourgeoisie of the country.[47]

There might still have been a silver lining in the otherwise dark picture if, in the wake of financial burdens and economic disruption emanating from the building of railways, the government had trained the people 'by suitable arrangements for their technical education, and liberal association in the management, to take up in course of time in their own hands the new sphere of industrial activity represented by railway enterprise'.[48] But, noted some of the Indian leaders, the

45. Joshi, *op. cit.*, pp. 630-1. The *Bangabasi* of 2 Feb. 1889 also pointed out that the British had reduced railway rates for the bulky exports (*RNP Beng.*, 9 Feb. 1889). Also see G. S. Iyer, *Welby Commission*, Vol. III, Q. 18963.

46. The rates policy became a live problem in Indian politics in the later years, as witnessed to by the Indian Industrial Commission, 1916-18 (see *Report*, Chapter XIX) and innumerable other authorities and writers. Criticism of the rates policy of the railways along the lines indicated by G. S. Iyer and G. V. Joshi was to become later a commonplace among writers on Indian railways.

47. See the Memorial from the Bengal National Chamber of Commerce to the Railway Conference dated 3 Sept. 1888 in *Report of the Bengal National Chamber of Commerce for 1888*.

48. Joshi, *op. cit.*, p. 688.

foreign rulers never had this aim in view while pushing on railway construction. On the contrary, both the state and the company railways had studiously kept the Indians off high grade and technical positions with the result that 'after 25 years of continuous state direction, the natives of the country are as unfitted to take up this work of railway construction or management, as ever they were when Lord Dalhousie first sanctioned the proposal of covering India with a net-work of railway lines.'[49]

The railways had also a political effect which, according to G. V. Joshi and G. S. Iyer, could prove extremely dangerous. According to the former, 'a powerful foreign aristocracy of stock-holders has been created with interests adverse to the nation.' According to the latter, the foreign railway companies would 'add to alien vested interests in the country which are already powerful enough and which often operate to the detriment of those of the people.'[50]

It would be interesting to note at this stage some important aspects of the impact of the railways which were not noticed by any prominent Indian commentator of the period. Firstly, the commercial revolution in agriculture, i.e., the expansion in the cultivation of commercial crops and local specialisation in particular crops, that was partially, though perhaps not largely, the product of railways, was not commented upon. Secondly, the economic significance of the phenomenon of equalisation of prices all over the country was missed, though the fact that such an equalisation had taken place was sometimes recorded.[51] Lastly, the opportunity given to Indian merchant

49. *Ibid.*, p. 689. Also *ibid.*, pp. 801-02; G. S. Iyer in *Indian Politics*, p. 190, EA, p. 266.

50. Joshi, *op. cit.*, p. 689; and G. S. Iyer, EA, p. 265. Also, *Sahachar*, 30 Apr. (RNP *Beng.*, 10 May 1884). At the same time, Joshi and G. S. Iyer pointed out that it was foreign political domination that made railways constructed with borrowed funds the evil that they were; whereas in free countries the railways had been productive of enormous good. Joshi, *op. cit.*, pp. 670-1, 684, 689; G. S. Iyer in *Indian Politics*, pp. 189-90, and EA, pp. 261, 268, 270.

51. G. S. Iyer in *Indian Politics*, pp. 191-2, and EA, pp. 262, 271; Dutt, *England and India*, p. 130; N. K. N. Aiyar, *Rep. INC for* 1901, p. 138.

capital to penetrate the countryside was neither noticed nor, therefore, regarded as a favourable development.

It must also be kept in view that the nationalist criticism of the railways and their impact on India was not made, as has been alleged, from the standpoint of 'social conservatism, including the ideal of a stable, non-progressive economy'.[52] Not only were all the Indian critics of the railways ardent champions of modern industry, as has been shown in an earlier chapter, but most of them were men of advanced social views. Even at the level of the popular press, where some social conservatism did prevail, very little criticism of the railways as dissolvants of the existing social organisation was made.[53]

In fact, the Indian leaders were never opposed to railways as such but to their actual mode of operation in India at that particular point of time.[54] After weighing the actual impact of the railways on the Indian economy they discovered that, contrary to their earlier expectations and the hopes held out by the officials, the railways were not an unmixed blessing, that their total effect was on balance mostly negative, tending to perpetuate and extend the existing backwardness of the Indian economy, and that whatever benefits did accrue were mostly reaped by foreign business interests. Therefore, they concluded that the railways, which were potentially a benefactor but an evil at the moment, were not worth the financial burden that was being thrown upon the Indian exchequer, and that, as will be shown later, these financial resources could be better

52. This has been suggested by Vera Anstey in her work, *The Economic Development of India*, p. 145.

53. The solitary instance of this type of criticism I have come across is the following passage in the *Bangabasi* of 5 May, 1894: 'The railways have struck a blow at the caste system, for in railway carriages people of all castes have to sit side by side on the same benches' (*RNP Beng.*, 12 May 1894).

54. For instance, Dadabhai Naoroji wrote in 1883: 'The real important question, therefore, in relation to public works is, not how to stop them, but how to let *the people of the country* have their full benefits. One of the most important parts of England's great work in India is to develop these public works, but to the *people's* benefit, and not to their detriment—*not that they should slave, and others eat*' (*Poverty*, p. 196).

utilised in other fields if the aim was to give a fillip to the economy.

IV. BRITISH MOTIVES

This conclusion led the Indian national leadership to raise the very pertinent question: why did the British officials and writers press so hard for the speedy construction of the railways and what considerations led the rulers of India to show such inordinate zeal for the task especially after 1884 and during the viceroyalties of Lord Elgin and Lord Curzon? Or, to put the question in another way, whose interests were the railways meant to serve? The Indians would not accept the readily proffered explanation that it was all due to altruistic motives. They did not believe that their rulers were in this respect mainly guided by the interests of the Indian people or that the economic development of India was the real objective behind railway construction. While conceding that in some cases the enthusiasm for railways might be the result of ignorance and misplaced comparison with the conditions in Europe,[55] they came to hold that the British motives were on the whole much more down to earth and, indeed, utterly sordid and selfish; that in essence these boiled down to the promotion of the interests of the British merchants, manufacturers, and investors under whose continuous pressure the railways had been, and were being, constructed at the risk and expense of the Indian revenues; and that the essential purpose of the railway network was to assist British enterprise in the exploitation of the natural resources of India.[56]

55. G. S. Iyer, EA, p. 272; and Dutt, EHII, pp. 174 and 545.

56. For the opinion of the nationalist economists, see Joshi, *op. cit.*, pp. 674-6, 684, 687-8, 693; G. S. Iyer in *Indian Politics*, p. 180, and EA, pp. 272-3; Gokhale, *Speeches*, pp. 21, 1157, 1194, and *Welby Commission*, Vol. III, Qs. 18150, 18407, 18410-4; P. A. Charlu, LCP, 1900, Vol. XXXIX, p. 144; Sri Ram, LCP, 1904, Vol. XLIII, p. 510; Dutt in *Indian Politics*, p. 53, EHI, p. 312, EH II, pp. 174, 357, 546, *Speeches II*, pp. 37, 44, 60, 77, *Famines and Land Assessment in India* (London, 1900) (hereafter referred to as *Famines in India*), p. 305. For newspapers, see *Navavibhakar*, 25 June (RNP *Beng.*, 30 June 1883); *Bengalee*, 3 May 1884; *Rast Goftar*, 2 March (RNP *Bom.*, 8 March 1884); *Hindu*, 18 Apr. 1884; *Nyaya Sudha*, 7 May (RNPPN, 12 May 1884);

According to the Indians, the most important reason prompting railway construction in India was its rulers' desire to open up the vast and hitherto virtually untapped market in

Navavibhakar, 21 Apr., *Burdwan Sanjivani*, 22 Apr., *Sadharani*, 20 Apr. (*RNP Beng.*, 26 Apr. 1884); *Samachar Chandrika, Som Prakash*, 26 Apr. (*ibid.*, 3 May 1884); *Sahachar*, 30 Apr. (*ibid.*, 10 May 1884); *Bharat Mihir*, 24 May (*ibid.*, 31 May 1884); *Bangabasi*, 9 Apr. (*ibid.*, 16 Apr. 1887); *Rahbar*, 25 Jan. (*RNPN*, 30 Jan. 1895); *Lokopakari*, 29 Aug. (*RNPM*, 15 Sept. 1897); *Sasilekha*, 26 Apr. (*ibid.*, 30 Apr. 1898); *Jananukalan*, 13 May (*ibid.*, 13 June 1903); *Kaiser-i-Hind*, 23 Aug. (*RNPBom.*, 29 Aug. 1903); *Inder Prakash*, 30 Nov. (*ibid.*, 3 Dec. 1904); *Daily Hitavadi*, 5 Apr. (*RNP Beng.*, 15 Apr. 1905). The vigour with which this view was expressed deserves to be illustrated though space would forbid us to quote more than a few instances:

G. V. Joshi:

> It was Lord Dalhousie's dream to strengthen the domination not only of English rule, but of English trade and commerce in India, and the permanent interests of this country were subordinated to this all-engrossing ambition. The contemporaneous rise of the school of Free Trade in England, and the great reputation which its apostles enjoyed, furnished the metaphysical ground-work for this essentially selfish and grasping policy. The value of India to the British nation was measured by the quantity of raw material which the resources of Indian agriculture enabled it to export for the feeding and maintenance of the Lancashire manufactures. India was to devote all its energies to raise the raw exports; and canals, Rail-roads and improved communications were to be pushed on at any cost to facilitate the export of raw articles and the import of English manufactures. India's own industrial needs were of comparatively no consequence. The annexation of the resources of India was to be completed at all hazards, and at any sacrifice (*op. cit.*, pp. 674-5).

G. S. Iyer:

> In the mouth of the British capitalists and statesmen, the cry is dishonest.... Every mile of fresh railway constructed in India, be it remembered, brings profit to so many Englishmen that influential men are never wanting to keep ceaselessly egging on the Indian authorities to undertake fresh works every year (*EA*, pp. 272-3).

G. K. Gokhale:

> The Indian people feel that this construction is undertaken principally in the interests of English commercial and moneyed classes, and that it assists in the further exploitation of our resources (*Speeches*, p. 1194).

P. A. Charlu:

> The cause of railways is virtually the cause of enterprise, of commerce, of manufacture, of railway stock and of ambitious engineering; and the representatives of each and all of these necessarily unite their lusty voices and focus their cultured and energetic intelligence on it (*LCP*, 1900, Vol. XXXIX, p. 144).

Navavibhakar, 21 Apr. 1884:

> Railways are wanted for the benefit of the English merchants.... The English merchants are the rulers of England. Parliament is under their control. The ministers are their servants. The policy that pleases the merchants is the best policy (*RNP Beng.*, 26 Apr. 1884).

the interior to the products of British industry and to facilitate the export of Indian raw materials and foodstuffs to the hungry machines and mouths in Britain, in fine to transform India into an agricultural colony of Britain.[57]

While highlighting the pivotal role of foreign trade in the formulation of the official railway policy, many Indian commentators also referred to other pressures and purposes that in their view went into its making. One of these was the need to provide an outlet to the steel industry of England through the export of railway stores, viz., steel rails, engines, wagons, and other machinery and plant.[58] Railways also provided 'lucrative' employment to innumerable Englishmen, from directors to ticket-collectors.[59] Some of them were also able to correctly understand—and this reveals their deep insight into contemporary economic phenomena—that the railways, both state as well as company-owned, were designed to serve and were serving as a channel for safe and profitable investment of surplus British capital.[60] In the writings of some of them we also find a glimmering of the realisation that the railways were also intended to strengthen the alien political grip over India.[61]

57. *Navavibhakar*, 1 Oct. (RNP *Beng.*, 6 Oct. 1883); *Sadharani*, 20 Apr., *Navavibhakar*, 21 Apr. (RNP *Beng.*, 26 Apr. 1884); *Samaya*, 12 May (*ibid.*, 17 May 1884); *Bharat Mihir*, 13 May (*ibid.*, 24 May 1884); *Bengalee*, 3 May 1884; *Hindu*, 23 Jan. 1884; *Bangabasi*, 9 Apr. (RNP *Beng.*, 16 Apr. 1887); Joshi, *op. cit.*, pp. 670, 675-6, 689; G. S. Iyer in *Indian Politics*, p. 181; *Dainik-o-Samachar Chandrika*, 21 Apr. (RNP *Beng.*, 24 Apr. 1897); Dutt, *EH II*, pp. 174, 546, and *Speeches I*, p. 98; *Indu Prakash*, 30 Nov. (RNP *Bom.*, 3 Dec. 1904); *Daily Hitavadi*, 5 Apr. (RNP *Beng.*, 15 Apr. 1905).

58. *Sahachar*, 30 Apr. (RNP *Beng.*, 10 May 1884); *Samaya*, 12 May (*ibid.*, 17 May 1884); *Bengalee*, 3 May 1884; *Yazdan Parast*, 15 June (RNP *Bom.*, 21 June 1884); *Kesari*, 9 Sept. (*ibid.*, 13 Sept. 1890); Joshi, *op. cit.*, p. 685; *Dainik-o-Samachar Chandrika*, 21 Apr. (RNP *Beng.*, 24 Apr. 1897); G. S. Iyer in *Indian Politics*, p. 181; Dutt, *Speeches I*, p. 98.

59. *Navavibhakar*, 21 Apr. (RNP *Beng.*, 26 Apr. 1884); *Bangabasi*, 5 May (*ibid.*, 12 May 1894); *Dainik-o-Samachar Chandrika*, 21 Apr. (*ibid.*, 24 Apr. 1897); *Swadesamitran*, 30 Oct. (RNPM, 30 Nov. 1897); Dutt, *Speeches I*, p. 98; G. S. Iyer, *EA*, p. 263.

60. *Samaya*, 12 May (RNP *Beng.*, 17 May 1884); *Bangabasi*, 9 Apr. (*ibid.*, 16 Apr. 1887); *Kesari*, 9 Sept. (RNP *Bom.*, 9 Sept. 1890); *Dainik-o-Samachar Chandrika*, 21 Apr. (RNP *Beng.*, 24 Apr. 1897); G. S. Iyer in *Indian Politics*, p. 181.

61. Joshi, *op. cit.*, p. 674; and *Navavibhakar*, 1 Oct. (RNP *Beng.*, 6 Oct. 1883).

The nationalist view of the motivation of the official policy was succinctly summarised in 1898 by G. S. Iyer as follows:

> There are investors, company promoters, bankers, iron masters, coal owners, railway engineers and directors, and above all, retired Anglo-Indian officials, looking out for a decent addition to their pension, who are all interested in pushing forward the construction of Railways in India. The European merchants, who command the whole of India's foreign trade and whose business is no longer confined to the principal towns on the coast but penetrates the villages also, are similarly interested in extending the network of Railways, covering the surface of the country.[62]

The particular melancholy of the whole situation was heightened, felt many Indians, by the fact that, while the purpose of the railways was to benefit England even to the detriment of India, their burden was borne entirely by the latter.[63] Thus arose the peculiar phenomenon that in the name of exercising their 'parental functions', the British rulers 'helped with Indian resources the one country which needed no such help, at the cost of paralyzing its great unfortunate dependence'.[64]

V. INDIAN CRITERIA

After having shown that the railway policy of the Government of India was dictated by the needs of Britain, some of the Indian leaders felt it necessary to lay down their own criteria

62. G. S. Iyer in *Indian Politics*, p. 181.

63. Joshi, *op. cit.*, pp. 675, 688, 693; *Navavibhakar*, 24 March (*RNP Beng.*, 29 March 1884); *Bangabasi*, 29 March, *Dacca Prakash*, 30 March (*ibid.*, 5 Apr. 1884); *Sadharani*, *Navavibhakar*, 21 Apr. (*ibid.*, 26 Apr. 1884); *Som Prakash*, 26 Apr. (*ibid.*, 3 May 1884); *Murshidabad Patrika*, 30 Apr. (*ibid.*, 10 May 1884); *Rast Goftar*, 25 May (*RNP Bom.*, 31 May 1884); *Rahbar*, 8 Sept. (*RNPN*, 14 Sept. 1892); *Lokopakari*, 29 Aug. (*RNPM*, 15 Sept. 1897); G. S. Iyer, *EA*, p. 272; Dutt, *Speeches I*, p. 102, *EHII*, p. 174; Gokhale, *Speeches*, p. 1194. Curiously enough, Hyde Clarke, 'perhaps the most penetrating railway economist of the day', had quite candidly said the same thing as early as 1846. 'The real operation, after all', he wrote, 'is to make the Hindoos form the railways, and to enable us to reap a large portion of the profits' (quoted in Jenks, *op. cit.*, p. 226. Also see Bell, *op. cit.*, pp. 254-5).

64. Joshi, *op. cit.*, p. 675.

for determining the speed of railway development and the priority to be assigned to the task. Their discussion of this problem sheds light not only on their transport policy, and what they thought should be its role in the economic development of the country, but also on their conception of economic development itself.

First of all, they stated the perfectly sound proposition that railways must be seen in the context of their contribution to the economic development of India in the peculiar political and economic conditions in which the country was placed.[65]

Secondly, they maintained that as between transport and industry the latter was of primary and the former of secondary importance, since industrialisation alone constituted economic development in any proper sense of the term. 'Industrial progress after all', wrote G. V. Joshi in 1884, 'essentially rests on the basis of increased production much more than on that of increased facilities for international exchange.' In fact, 'a normal coordination of industries... is the very life-blood of a nation's well-being.'[66] This view was forcefully reiterated by the *Native Opinion* (Bombay) of 25 May 1884. Commenting on the proceedings of the Select Committee on the Railways, it wrote:

> A commission, we humbly think, to devise a scheme for the initiation of different industries would be of greater usefulness than the present Committee which is dealing with the

65. G. S. Iyer wrote in 1903: 'Mr Robertson throughout his lengthy report, shows no appreciation of the peculiar conditions of India.... Under the alien British rule, India has developed a peculiar position which renders it necessary that the great problems of her well-being should be solved, not by a reference altogether to the experience and knowledge of other countries, but by a reference to her own requirements constantly overshadowed as they are by more powerful conflicting interests' (EA, pp. 266-7; also pp. 261, 263). See also G. S. Iyer in *Indian Politics*, pp. 182, 192-3; and f.n. 14 above. Dadabhai Naoroji made the same point though in a different vein: 'The real important question, therefore, in relation to public works is, not how to stop them, but how to let *the people of the country* have their full benefits' (*Poverty*, p. 196).

66. Joshi, *op. cit.*, pp. 696 and 676, respectively. Further: 'It would have been far better, if instead of paying this bounty to the foreign trader in the shape of arrears of interest payments, the Government had diverted its

> question of Railway extension in India. . . . Development in this direction does not mean a development of our resources in their proper sense.

G. S. Iyer also stressed this point:

> The revenues of Government, instead of being spent in the stimulation of wealth production, are spent for the purpose of merely transporting goods from place to place. It is obvious that to produce fresh wealth is an object more important than the movement of what little already exists.[67]

Moreover, the usefulness of railways themselves 'depends on the productive power of the country',[68] that is, on the capacity of the national economy and industry to utilise them. 'For unless they (railways) are accompanied by other and more important measures conducive to a better organisation of national industries, they do not add to the intensive strength of the country, which alone furnishes a firm foundation to its expansive greatness.'[69] As and when the country was industrialised, more and more railways could be built. But, at present, the country being primarily agricultural, railways constructed at a lightening speed were superfluous.[70] On the other hand, if Indian trade and industry were to develop alongside the railways, the latter's extension would be healthy, and even

surplus 40 millions to set up industrial organizations on its own account, or encouraged native effort in the same direction by temporary subventions, or allowed the money to remain in the pockets of its subjects to multiply a hundred-fold in useful works' (p. 688). Also see pp. 671, 689.

67. G. S. Iyer, *EA*, p. 271. Also in *Indian Politics*, pp. 182, 188. D. E. Wacha also claimed in his Presidential Address to the 17th National Congress (1901) that 'it is now recognised that, after all, they (railways) are only a means of speedy distribution of grain from one place to another, but they in no way add a single rupee to the wealth of the country.' 'But' he complained, 'it has taken years to explode this fallacy at the seat of the Central authority' (in *CPA*, p. 577). Also see Ranade, *Essays*, p. 88; and *Hindu*, 23 Jan. 1885.

68. 'A Warning Voice as Regards Railways in India', *Indu Prakash*, 21 Apr. 1884.

69. Joshi, *op. cit.*, p. 671.

70. *Sahachar*, 30 Apr. (*RNP Beng.*, 10 May 1884); G. S. Iyer, *EA*, p. 261.

paying, and would deserve public support.[71] For instance, the *Sahachar* wrote in its issue of 30 April 1884:

> It is necessary that the lines already constructed should secure sufficient traffic. But this will not be done until the indigenous industries of India are developed. . . . Let cloth mills, iron foundries and similar works be established in this country, and the Indian railways will do a profitable carrying business in raw materials and manufactures.[72]

But in reality this did not happen even though it was so sanguinely hoped for.[73] In any case, thought the Indians, railways could not in themselves give birth to industry and

71. G. V. Joshi wrote in 1884: 'Simultaneously with these facilities of transport, the state should have provided proper economic conditions of varied industrial life in the country, which alone would have enabled it to turn this advantage to national account' (*op. cit.*, p. 696). Also *Arunodaya*, 24, Feb. (*RNP Bom.*, 8 March 1884); *Arya Jana Priyan*, 1 March (*RNPM*, 31 March 1895); *Kistnapatrika*, 15 May (*ibid.*, 21 May 1904).

72. *RNP Beng.*, 10 May 1884.

73. Even Marx had predicted in 1853: 'But when you have once introduced machinery into the locomotion of a country, which possesses iron and coal, you are unable to withhold it from its fabrication. You cannot maintain a net of railways over an immense country without introducing all those industrial processes necessary to meet the immediate and current wants of railway locomotion, and out of which there must grow the application of machinery to those branches of industry not immediately connected with railways. The railway system will therefore become, in India, truly the forerunner of modern industry' (*On Colonialism*, p. 79). However, things did not work out in this manner. The entire construction of railways during the 19th century was carried out with materials fabricated in England and the railways 'did not call to life in India a vigorous industry to provide structural materials' (Jenks, *op. cit.*, p. 227). This was noted by at least one careful Indian observer. Criticising the government for not encouraging the iron industry in India in the wake of railway expansion, the *Native Opinion* of 20 Dec. 1885 wrote: 'Large seams of iron ore have been found in the vicinity of coal—it is surprising that instead of tapping at them and producing our own rails and bridge girders, our Government should go to foreign markets for their purchase. If all the money that has been spent on foreign iron had been used in India, we not only could have produced cheaper and better work, but *given a start to a new industry*. Will the Government view the question from this stand-point and make a beginning so as to encourage others to launch their capital in the direction?' (Emphasis added). Moreover, purchase of railway stores from Indian firms and, in case of their non-availability, even their manufacture by the state was one of the most important economic demands of the national leadership during the period under study (Chapter III above). The Indian steel industry could, however, be set up only in the 20th century, i.e., after the bulk of railway construction had already been carried out. In fact, the

generate economic expansion.[74] For that certain other conditions were necessary. The nationalist economists noted that Indian experience in this respect had been different from that of the United States of America, where railways had helped push forward the industrial revolution.[75] In India, railways had helped the movement towards industrial prostration and aided foreign trade and enterprise in exploiting India's natural resources; 'the power engine of commerce' had introduced only a commercial and not an industrial revolution.[76] Railways had even inhibited the growth of modern industry by preventing 'a healthy material advance on *normal lines*' and by 'paralyzing national activity at its centre'.[77]

The moral of all this was obvious. In the absence of rapid industrial development, it was 'sheer madness to press on railways'. Or, as G. V. Joshi put it, 'In this country, a too exclusive policy of pushing on Railways at American speed, beyond the resources of Indian finance, will, unless accompanied by other economic measures of far greater importance, only end in national impoverishment.'[78]

Indian steel industry did not arise out of the necessity 'to meet the immediate and current wants of locomotion'. In any case, the process of industrialisation was extremely slow and under the tight control of foreign capital.

74. Dadabhai Naoroji took to task 'those who say that, because the railways open up a market for the commodities, the produce of the country *must* increase.' He went on to repeat that 'the "demand for commodities is not demand for labour," and that "industry cannot be employed to any greater extent than there is capital to invest" ' (*Poverty*, p. 56).

75. Joshi pointed out that 'in America Free Trade does not exist, and Protection rules supreme; that the Railways are not State undertakings, but are built by private enterprise on its own responsibility; and that the Railway system in America is only one portion of its material development, the other factors of agricultural, manufacturing, and commercial prosperity being developed at the same time all over the country.' On the other hand: 'our conditions here are *peculiarly* un-American.... (here) the railway development is unaccompanied by a general increase in the elements of national well-being' (*op. cit.*, pp. 670-1).

76. See above.

77. Joshi, *op. cit.*, pp. 671 and 696.

78. 'A Warning Voice as Regards Railways in India', *Indu Prakash*, 21 Apr. 1884, and Joshi, *op. cit.*, p. 671, respectively. R. C. Dutt also remarked that railways had been pushed on far beyond 'the immediate needs of the country' (*EHII*, p. 450).

Lastly, the Indian leadership pointed out that the resources of India were strictly limited and could not be made to cover a very wide area. And so a choice had to be made between the various fields crying out for these scanty resources. The Indian public men had no doubt in their mind that, industrial backwardness being the besetting sin of Indian economy, industry must be assigned precedence over transport.[79] They therefore demanded that the state aid being currently bestowed upon the railways should be diverted to more productive endeavours, namely, industry and irrigation.[80]

In addition to the harmonious coordination of railways with the needs of industry, they put forward certain other considerations which, they said, must be properly weighed in deciding upon the speed and scope of railway construction. One such determining and limiting factor was the straitened condition of the Indian finances and the already heavy burden on the tax-payers. Broadly, their stand was that India was not rich enough, its resources were not large enough, and its finances were not flourishing enough to justify the fast rate at which railway construction was being carried out.[81] Another such consideration, they believed, ought to be the availability of indigenous capital on which reliance for the construction of rail-

79. *Hindu*, 23 Jan. 1885; Ranade, *Essays*, pp. 88, 91-2, 97; Joshi, *op. cit.*, p. 671.

80. For industry, see Joshi, *op. cit.*, p. 688; *Yazdan Parast*, 15 June (RNP Bom., 21 June 1884); *Native Opinion*, 20 Dec. 1885; Ranade, *Essays*, pp. 87-9; G. S. Iyer, EA, pp. 264, 272. Relation of railways with irrigation is separately dealt with below. Similarly, Gokhale declared before the Welby Commission in 1897: 'We do not want any more of their lines; spend more on education for the present, and afterwards on railways. You are going in one direction and in no other direction. All these railways cannot be a disadvantage... but it is a question as to which advantage is greater' (Welby Commission, Vol. III, Q. 18409. Also see Q. 18400).

81. S. N. Banerjea. *Speeches I*, pp. 179-81; Joshi, *op. cit.*, pp. 55, 671; *Indian Spectator*, 24 Feb. 1884; *Native Opinion*, 24 Feb. 1884; *Indu Prakash*, 21 Apr. 1884; *Bengalee*, 3 May and 9 Aug. 1884; *Tribune*, 1 March (VOI, 15 March 1884); *Behar Herald*, 22 and 29 Apr. (*ibid.*, 15 May 1884); *Arunodaya*, 24 Feb. (RNP Bom., 8 March 1884); *Rast Goftar*, 2 March (*ibid.*); *Bangabasi*, 29 March, and *Dacca Prakash*, 30 March (RNP Beng., 5 Apr. 1884); *Sahachar*, 23 Apr. (*ibid.*, 3 May 1884); *Bharat Mihir*, 13 May (*ibid.*, 24 May 1884); *Hindu*, 6 Apr. 1889; G. S. Iyer, *Welby Commission*, Vol. III, Q. 19609, in

ways should primarily be placed.[82] There should be no increase in the sterling debt for the purpose of railway expansion as this would only increase the drain of wealth from India.[83]

Another deterrent factor in the situation which, in Indian opinion, pointed to the need for the adoption of a policy of caution was the heavy loss on exchange on the remittances to England on account of payment of the guaranteed interest at the contracted fixed rate of exchange of 1s. 10d. to the rupee for most of the early railway lines, and payment of interest in sterling on the railway debt, contracted by the state railways in the London money market, at a time when the value of the Indian rupee in terms of sterling was continuously declining.[84]

Many Indian leaders maintained that the financial profitability of new lines should form an important consideration and should be carefully weighed and established before they were sanctioned.[85] They felt that most of these lines were not likely to be financially remunerative, for, if this was not the case, why would the British capitalists refuse to undertake their construction unless offered a guarantee?[86]

Indian Politics, pp. 182, 194; Gokhale, *Speeches*, p. 1194, and *Welby Commission*, Vol. III, Qs. 18399, 18406; Dutt in *Indian Politics*, pp. 52-3, *Famines in India*, pp. 82, 305, and *EHII*, pp. 174, 359-60, 546, 548. 'We cannot enjoy the luxury of European travelling when the annual earning per head of population in India is £2, and that in England is £42', wrote R. C. Dutt (*EHII*, p. 548).

82. See below.

83. *Indian Spectator*, 2 March 1884; *Indu Prakash*, 21 Apr. 1884; *Tribune*, 25 Apr. (*VOI.*, 15 May 1884); *United India*, 11 Aug. (*ibid.*, 31 Aug. 1884); *Hindu*, 29 Oct. 1897; *Mahratta*, 7 Dec. 1902; Dutt, *Famines in India*, p. 305.

84. *Indu Prakash*, 21 Apr. 1884; *Hindu*, 18 Apr. 1884; *Bangabasi*, 9 Apr. (*RNP Beng.*, 16 Apr. 1887); Wacha, *Speeches*, App. p. 20; G. S. Iyer in *Indian Politics*, pp. 188, 193; S. N. Banerjea in *CPA*, p. 270; Dutt's letter to the *Manchester Guardian*, 5 Nov. 1898, *India*, 11 Nov. 1898. For a discussion of the actual loss to India on account of the effect of the low exchange on railway remittances, see Bell, *op. cit.*, pp. 243-4; Chesney, *op. cit.*, p. 312; and Sanyal., *op. cit.*, pp. 44, 120-1.

85. S. N. Banerjea, *Speeches I*, pp. 180, 189-90; *Indian Spectator*, 24 Feb. 1884; *Indu Prakash*, 21 Apr. 1884; *Indian Nation*, 21 Apr. (*VOI*, 15 May 1884); *Behar Herald*, 22 Apr. and 29 Apr. (*ibid.*); Joshi, *op. cit.*, p. 687; Gokhale, *Speeches*, p. 1194; Dutt, *Speeches I*, p. 102; Sayani, *LCP*, 1898, Vol. XXXVII, p. 534.

86. S. N. Banerjea, *Speeches I*, p. 190: *Tribune*, 22 March (*VOI*, 15 Apr. 1884); *Indian Echo*, 25 Apr. (*ibid.*, 15 May 1884); *Bangabasi*, 9 Apr. (*RNP*

Some of them further believed that, in any case, whatever the merits of railways, the needed lines—needed for economic, political, military, and famine-protection purposes—had already been built, and the government should, therefore, now turn its attention towards other fields of national reconstruction, undertaking new lines only when all other factors enumerated above were favourable.[87]

Taking all these factors together, viz., the state of Indian finances, the non-availability of indigenous capital, the non-profitability of the existing and projected railways, and the needs of, and coordination with, Indian industry, and at the same time realistically grasping the fact that some extension of railways was inevitable because of the changing correlation of various economic factors and forces, the nationalists began to feel after 1884[88] that, though there should be no rapid construction or 'reckless profusion' of railways, more railways might be built as and when needed, but at a rate much more moderate than that officially advocated or executed.[89] Some of

Beng., 16 Apr. 1887); Gokhale, *Speeches*, pp. 1193-4, and *Welby Commission*, Vol. III, Q. 18390.

87. Joshi, *op. cit.*, p. 684; Ranade, *Essays*, p. 88; Gohkale, *Speeches*, p. 1194; G. S. Iyer in *Indian Politics*, p. 182, and *EA*, p. 264; Dutt in *Indian Politics*, p. 52, his evidence before the Currency Commission of 1898, *Speeches* I, pp. 98, 100, *EHII*, pp. 358-9, 370, 546-8.

88. Up to this year the nationalist opinion was divided on this issue as has been shown earlier. It was during or after 1884 that the leading Indian newspapers, e.g., the *Hindu*, the *Mahratta*, the *Indian Spectator*, reversed their entire approach to the railway question.

89. This particular view permeates nearly all the nationalist comment on railways after 1884. Sometimes it is explicit, more often it is implicit, as must be obvious from what has already been stated above. For explicit expression of the view, see *Indian Spectator*, 17 Feb. 1884; *Tribune*, 1 March (*VOI*, 15 March 1884); *Behar Herald*, 22 and 29 Apr. (*ibid.*, 15 May 1884); *Bangabasi*, 29 March, and *Som Prakash*, 30 March (*RNP Beng.*, 5 Apr. 1884); *Navavibhakar*, 21 Apr. (*ibid.*, 26 Apr. 1884); *Sahachar*, 30 Apr. (*ibid.*, 10 May 1884); *Bangabasi*, 9 and 23 Apr. (*ibid.*, 16 and 30 Apr. 1884 respectively); *Paisa Akhbar*, 29 Dec. 1894 (*RNPP*, 5 Jan. 1895); Joshi, *op. cit.*, pp. 684-5; Wacha, *Welby Commission*, Vol. III, Qs. 17503-04, 17546, 17613, 17616-8; Gokhale, *ibid.*, Qs. 18147, 18392; G. S. Iver, *ibid.*, Qs. 18605, 18623-6, 18630, 18963, 19011, 19560-1, 19564, and in *Indian Politics*, pp. 181-2; *Paisa Akhbar*, 5 Aug. (*RNPP*, 28 Aug. 1897); *Hindu*, 29 Oct. 1897; Sayani, *LCP*, 1898, Vol. XXXVII, p. 534; Dutt, *Speeches I*, pp. 101-02, *Speeches II*, p. 31; *Kaiser-i-Hind*, 23 Aug. (*RNP Bom.*, 29 Aug. 1903).

them added a further proviso to this stipulation: 'the Government should not directly or indirectly make the people's money responsible for further lines';[90] all future lines should be constructed on an entirely commercial basis, i.e., at the risk of private enterprise, and without state participation or state guarantees.[91]

In this context, R. C. Dutt made the portentous suggestion in his evidence before the Fowler Commission in 1898 that 'the representatives of the people should be consulted before any new lines are sanctioned'. In another place, he asserted that the government 'sacrifices the interests of the people' in matters of railway policy 'because the people are not constitutionally allowed to express and enforce their views as against the views of influential classes'.[92]

VI. THE PATTERN OF ORGANISATION

In addition to discussing at length the speed of railway construction, the Indian national leadership devoted some attention to the pattern of its organisation. But they considered only one aspect of this problem, namely, the proper agency for railway construction and management. Moreover, it should be kept in view in this connection that, since the Indian leaders were, especially after 1884, opposed to rapid extension of railways, they concentrated their fire on that issue. Consequently, expression of nationalist opinion on other aspects of railway construction was sparse and scattered. Their general tendency

90. Dutt in *Indian Politics*, p. 52. This view is also implicit in most of the opinions cited in f.n. 81 above.

91. Dutt, *England and India*, p. 143, *Speeches II*, p. 31, *Famines in India*, pp. 82, 305, and *EHII*, pp. xvii, 177-8, 375, 547-8; G. S. Iyer, *EA*, p. 264; Joshi, *op. cit.*, pp. 687-8; Sri Ram, *LCP*, 1904, Vol. *XLIII*, p. 510.

92. Dutt, *Speeches I*, p. 102, and in *Indian Politics*, p. 53. Also see Dutt in *Indian Politics*, p. 52 and *EHII*, pp. 174, 177, 358. In 1884, G. V. Joshi also complained that the Select Committee had not secured 'an expression of Native Opinion on the subject for their enlightenment' (*op. cit.*, p. 669). And G. K. Gokhale in his evidence before the Welby Commission emphasised that the Indian National Congress had not till then even once pleaded for railway extension. *Welby Commission*, Vol. III, Qs. 18415-6.

was to answer all other questions by saying that no more railways were wanted.

The relative advantages of direct state agency and private companies for constructing railways became a live issue so far as Indian public was concerned during the viceroyalty of Lord Ripon, when his finance member, Evelyn Baring, pleaded in 1881 for a partial abandonment of the state monopoly in favour of private construction 'without the aid of Government, or, at all events, with a minimum amount of such aid'. Later, in 1883, the Government of India proposed that the productive lines should be leased to private companies while, 'as a general rule, the Government should only undertake the construction of railways, which, from their unprofitable character in a commercial sense or other causes, cannot be made by private agencies.'[93] This policy was implemented to a large extent in the later years and was praised and upheld by successive Secretaries of State, Governors-General, and railway officials, like Robertson.

On the other hand, if there was one question relating to railway development upon which all Indian leaders were agreed, it was regarding the harm done by the guarantee system, the immense burden it placed on the national finances, and the urgent necessity for its discontinuance in the future.[94] According to them, the most objectionable feature of this system was that it encouraged careless, extravagant, and wasteful expenditure by the companies, there being no incentive for them to economise since the government was always there to pay the guaranteed interest and there was little prospect of earning more than that.[95] The Indian case against the guaran-

93. Bell, *op. cit.*, pp. 31 and 37.

94. S. N. Banerjea, *Speeches* I, p. 189; *Mahratta*, 3 Feb. 1884; *Bengal Public Opinion*, 24 Apr. (*VOI*, 15 May 1884); *Bharat Mihir*, 13 May (*RNPBeng.*, 24 May 1884); *Sahachar*, 9 Apr. (*ibid.*, 19 Apr. 1890); *Gujarat Darpan*, 23 May (*RNPBom.*, 25 May 1889); Gokhale, *Speeches*, pp. 1193-4; G. S. Iyer, *EA*, pp. 264-5. Dutt described the system as being 'vicious', *EHII*, p. 546.

95. Naoroji, *Essays*, pp. 108-9; Joshi, *op. cit.*, p. 691; *Mahratta*, 3 Feb. 1884; *Burdwan Sanjivani*, 22 Apr., *Sahachar*, 23 Apr. (*RNPBeng.*, 3 May 1884); *Hindu*, 10 Aug. 1887. Dutt reproduced long extracts from British officials

teed railways was put forth most lucidly and briefly by Justice Ranade in his article on 'Parliamentary Committee on Indian Public Works', which appeared anonymously in *The Quarterly Journal of the Poona Sarvajanik Sabha* in July 1881:

> The fixed guaranteed rate of interest being high (*much higher than the average return on capital in England*), it was found that the companies were not sufficiently economical in the construction of their works or in their management when constructed. It was their interest to keep their expenditure at as high a figure as practicable, in order to secure the guaranteed interest on the maximum amount that could be laid out.[96]

Once the system of guaranteed railways was abandoned—and given the fact that construction of some new lines was inevitable—what was the alternative system of construction to be adopted? There was no unanimity of opinion on this point among the nationalists. One section felt that in order to avoid further burdens on the tax-payer, the government should not any more expend public funds on the railways and leave the entire field of new construction to 'genuine', unguaranteed private enterprise.[97] Another, and perhaps more vocal, section —including G. V. Joshi and others, who had their feet in the

like Thornton, Massey, and Lord Lawrence to prove this and said that 'there was an extravagance in the construction of lines, and a disregard for the comfort of travellers, perhaps unexampled in the history of railway enterprise in any other country' (*EHII*, p. 353 ff.) Also see Gokhale, *Welby Commission*, Vol. III, Q. 18392.

96. P. 6 (emphasis added). As early as 1868, Dadabhai Naoroji had expressed his opposition to the system: 'I cannot understand private enterprise with a guarantee,—the risk and burden to be on the state, and the company to have profits only' (*Journal of East India Association*, Vol. III, 1869, No. 1, p. 13). The *Rahbar*, an Urdu weekly from the North-Western Provinces described the guaranteed railways as 'a method of enriching the English capitalists at the expense of the Indian tax-payer' 8 Sept. (*RNPN*, 14 Sept. 1892). Also see *Bangabasi*, 9 Apr. (*RNPBeng.*, 16 Apr. 1887).

97. F.n. 91 above, and *Indian Spectator*, 13 Feb. (*RNPBom.*, 19 Feb. 1881); *Bombay Samachar*, 2 Apr. (*ibid.*, 2 Apr. 1881); *Navavibhakar*, 21 July (*RNPBeng.*, 26 July 1884); *Bengalee*, 9 Aug. 1884. We have a suspicion that the real reason for this stand was their hope that in the light of the well-known reluctance of private enterprise to venture into the field in the absence of guarantees, no more lines would be built in practice.

other camp also—favoured public enterprise and opposed private ownership. Before we discuss the reasons advanced by them for their preference, we would like to point out that even the leaders belonging to the first group demanded, for similar reasons, that the government should exercise the right to purchase the guaranteed railways as and when opportunity arose in accordance with the terms of the agreements with the companies.[98] Moreover, they too opposed the policy of leasing out the lines constructed or acquired by the government to private companies for working.[99]

The section of leaders favouring the system of state railways did so in the belief that the real choice at the moment lay not between genuine private enterprise and public enterprise but between the latter and the old system of guaranteed companies, and that of these two the first was better and more economical.[100] These leaders argued that private companies of foreigners could not be expected to work with that 'complete unity of purpose', and in that responsible way, which would 'protect the general interests of the country, to secure which private interest has sometimes to be sacrificed.'[101] Financially, they believed, the state railways had many advantages over the guarantee system. Because of its high credit, the government was always able to raise loans at a lower rate of interest: in no case in the past had this rate been as high as the 5 per cent guarantee.[102] Moreover, the profits of state railways, after paying the interest on borrowed capital, were retained in the

98. Gokhale, *Speeches*, p. 1194; Dutt, *EHII*, p. 549. Joshi had put forward another version of the demand as early as 1886. *Op. cit.*, pp. 107-11. Also see Wacha, *Rep. INC for 1898*, p. 103.

99. G. S. Iyer, *EA*, p. 265. Also *HR*, May 1903, p. 469.

100. Naoroji, *Essays*, p. 109; Naoroji cited in Masani, *op. cit.*, pp. 115-6; Joshi, *op. cit.*, pp. 108, 688, 693; *Indian Spectator*, 23 Jan. (*RNPBom.*, 29 Jan. 1881); *Rast Goftar*, 26 March and *Bombay Chronicle*, 26 March (*ibid.*, 1 Apr. 1882); *Navavibhakar*, 25 June (*RNPBeng.*, 30 June 1883); *Mahratta*, 3 Feb., 2 March, and 20 July, 1884; *Native Opinion*, 24 Feb. 1884; *Sahachar*, 30 Apr. (*RNPBeng.*, 10 May 1884) and 18 Sept. (*ibid.*, 28 Sept. 1889); *Kesari*, 2 Sept. (*RNPBom.*, 6 Sept. 1884); *ABP*, 5 March 1885; *HR*, May 1903. p. 469.

101. Joshi, *op. cit.*, p. 693, and *Mahratta*, 20 July 1884, respectively. Also G. S. Iyer, *EA*, pp. 263, 265.

102. Joshi, *op. cit.*, p. 693; *Kesari*, 2 Sept. (*RNPBom.*, 6 Sept. 1884).

country and by the government instead of being appropriated privately and sent out.[103] The *Mahratta* of 3 February 1884 even suggested that the difference between the interest on the state loans and the 5 per cent guarantee could be used to liquidate the original debt itself, and thus both the interest and the profits might be retained in the country.[104]

The system of state railways was also seen by G. V. Joshi to be politically advantageous, though only in a negative way. It would prevent the growth of 'powerful foreign vested interests . . . adverse to the interests of the people'.[105] The Bengali weekly the *Sahachar* put this view most forcefully on 30 April 1884 at the end of a long and well-written critique of Indian railways:

> Is it in the face of these facts advisable to construct a number of railways, and deliver the people as bond slaves into the hands of the railway companies? Is Government anxious to make India a second Egypt? Hence-forth Government alone should construct railways.[106]

But the most serious objection that this section of Indian leadership had to private enterprise was its foreign character and the resulting export of profits. Many of them repeatedly emphasised that, if purely Indian companies were formed,

103. Joshi, *op. cit.*, p. 693; *Kesari*, *loc. cit.*; *Rast Goftar*, 26 March (*RNPBom.*, 1 Apr. 1882); *ABP*, 5 March 1885; Wacha, *Speeches*, App. p. 23. The *Sahachar* of 18 Sept. 1889 even suggested that the revenue from the railways might make it possible to reduce or remove some of the existing taxes (*RNPBeng.*, 28 Sept. 1889). G. S. Iyer used this very argument for opposing the policy of leasing state lines to private companies (*EA*, p. 265).

104. G. V. Joshi supported in 1886 a proposal 'to convert and consolidate the existing guaranteed stocks into a general railway debt on Government account', and observed that apart from a larger share of profits 'the preference given to our Government securities over those of the guaranteed companies' alone would produce a net saving of £816,000 a year (*op. cit.*, pp. 107-11).

105. Joshi, *op. cit.*, p. 693.

106. *RNP Beng.*, 10 May 1884. G. S. Iyer objected to private companies as managers of state lines on the same ground. He wrote in 1903 that they would 'add to alien vested interests in the country which are already powerful enough and which often operate to the detriment of those of the people' (*EA*, p. 265).

private enterprise would be most welcome and desirable.[107] Indeed, they, as well as many leaders belonging to the first school of thought, raised their voice in favour of employment of Indian capital and enterprise in both the public and the private sectors of railway construction.[108] For example, the *Mahratta* of 14 January 1883 published an article in which the demand was voiced that 'it ought therefore to be now the policy of Government to construct railways in India through Native management and by means of indigenous capital, stores and labour'. And on 7 December 1902, it demanded: 'If railways have to be built, it must be done as far as possible with Indian capital.' Regretting that 'the investment of Native capital in railways should be almost nil', several newspapers exhorted the Indian people, particularly the capitalists, to raise funds and start private companies for the construction of railways.[109] They blamed the government for making no attempt to attract Indian capital into the field and urged it to show special favours to Indian companies and to utilise Indian capital.[110] Interestingly enough, the *Hindu*, while condemning the guarantee system as wasteful in its issue of 10 August 1887 had not hesitated in demanding guarantees for the Indian entrepreneurs in its issue of 3 August 1887. The slowing down

107. *Rast Goftar*, 26 March (RNPBom., 1 Apr. 1882); *Navavibhakar*, 25 June (RNPBeng., 30 June 1883); *Kesari*, 2 Sept. (RNPBom., 6 Sept. 1884); *Mahratta*, 20 July 1884; ABP, 5 March 1885.

108. *Indian Spectator*, 4 Sept. 1881: 'In every way it would be better for the people of India to have a direct interest in its public works of utility, than to introduce Hebrew Financiers (refers to the Rothschilds), whose only aim is to monopolise the profits of a Stock Exchange transaction' (RNPBom., 10 Sept. 1881). Also Ranade, 'Review of Fawcett's "Three Essays on Indian Finance"', *JPSS*, Vol. III, No. 1(July 1880), p. 80 and 'Parliamentary Committee on Indian Public Works', *JPSS*, Vol. IV, No. 1 (July 1881), p. 15; *Rast Goftar* and *Gujarati*, 11 Sept. (*ibid.*, 17 Sept. 1881); ABP, 18 Aug. 1881; *Arya Jana Priyan*, 1 March (RNPM, 31 March 1895); G. S. Iyer in *Indian Politics*, pp. 193-4, and EA, p. 268; Wacha, *Welby Commission*, Vol. III, Qs. 17536-7, 17546; Gokhale, *ibid.*, Q. 18147; *Paisa Akhbar*, 5 Aug. (RNPP, 28 Aug. 1897).

109. *Indian Spectator*, 5 Aug. (RNPBom., 11 Aug. 1883); *Mahratta*, 14 Jan. 1883; *Hindu*, 10 Sept. 1889; *Sahachar*, 3 Apr. (RNPBeng., 13 Apr. 1895); *Bharat Jiwan*, 30 May (RNPN, 8 June 1898).

110. *Mahratta*, 14 Jan. 1883: *Navavibhakar*, 25 June (RNPBeng., 30 June 1883); *Hindu*, 3 Aug. 1887, and 20 Sept. 1889; *Mahratta*, 7 Dec. 1902.

of railway construction to a rate that might be financed by purely indigenous capital was also recommended by some writers.[111]

But realising that in spite of their best wishes private companies with capital resources large enough for railway construction could not yet be formed in India, many of the Indian leaders favoured the system of state monopoly.[112] 'In a country like India, where the people are too poor and too unenterprising to manage railways with their own capital', wrote the *Amrita Bazar Patrika* on 5 March 1885, 'it is far better that the Government should play the trader and make a profit, than that foreigners should impoverish the country.' There could, of course, be one important objection to state construction and management of railways, namely, that it led to over-centralisation and bureaucratisation. G. V. Joshi's remedy for this was decentralisation of railway management and 'handing over to the different provincial and local authorities the power of initiation and management'.[113] The *Mahratta* of 3 February 1884 recommended public boards and trusts for working the lines, while the *Hindustan Review and Kayastha Samachar* of May 1903 advised management by a Railway Trust, consisting of a body of official and non-official experts.[114]

VII. RAILWAYS VERSUS IRRIGATION

The attitude of Indian leaders towards irrigation may be discussed at this stage. The connection between railways and irrigation, though not obvious at present, was very intimate during the period under discussion,[115] mainly because, for the

111. *Sahachar*, 23 Apr. (*RNPBeng.*, 3 May 1884); Wacha, *Welby Commission*, Vol. III, Q. 17546; G. S. Iyer, *ibid.*, Qs. 19564-7, in *Indian Politics*, p. 194.

112. *Rast Goftar*, 26 March, and *Bombay Chronicle*, 26 March (*RNPBom.*, 1 Apr. 1882); *Kesari*, 2 Sept. (*ibid.*, 6 Sept. 1884); *Mahratta*, 20 July, 10 Aug. 1884.

113. *Joshi*, *op. cit.*, p. 694. He also pleaded for a policy that would 'associate the people with the management of large works of public utility' (*ibid.*, p. 826).

114. P. 270.

115. Cf. 'Side by side with railways in India we always consider the subject of Irrigation,' said Lord Curzon in his speech on the Budget for 1901—1902 (*Speeches II*, p. 281).

officials as well as Indian leaders, railways and irrigation came to assume the position of rivals as each was offered by the two sides as the most efficacious remedy against the recurring famines. Moreover, the two competed for the allocation of the limited financial resources of the state.

The total capital expenditure by the government on major and minor works of irrigation up to the end of 1902-3 amounted to nearly 43 crores of rupees. In contrast, the total outlay on the state and guaranteed railways had amounted by 30 June 1905 to 359 crores.[116] This fact was duly noted and criticised by the Indian leaders, though nationalist agitation on this question was late in coming and assumed an intense form only during and after the disastrous famine of 1897. In general, the Indian leaders censured the Government of India for unduly favouring the railways at the cost of irrigation, which, they declared, was being neglected and treated as the Cinderella of the regime. In 1898, R. M. Sayani raised the matter in the Viceroy's Legislative Council and complained: 'While railways absorb so large a measure of Government attention, irrigation canals, which are far more protective against famine, are allowed only three-quarters of a crore of rupees, or about one-thirteenth of the amount spent on railways each year.'[117] R. C. Dutt was one of the severest critics of the government on this score. 'When we turn from railways to the subject of irrigation works', he wrote in 1903, 'we turn from unwise extravagance to equally unwise niggardliness.'[118] Similar criticism was voiced by many other contemporary public men and journalists.[119]

116. *The Imperial Gazetteer of India* (1908), Vol. III, pp. 332, and 375-6.

117. LCP, 1898, Vol. XXXVII, p. 534.

118. Dutt, *EHII*, p. 550. Also see his EHI, p. 312; *EHII*, pp. 360, 362; *Speeches II*, pp. 45, 77-8.

119. *Kesari*, 9 Sept. (RNPBom., 13 Sept. 1890), and 19 Nov. (*ibid.*, 23 Nov. 1901); *Hindustan*, 5 Oct. (RNPN, 13 Oct. 1897); P. A. Charlu, LCP, 1900, Vol. XXXIX, p. 144, and LCP, 1901, Vol. XL, p. 280; Sri Ram, LCP, 1904, Vol. XLIII, p. 510; Wacha in CPA, pp. 576, 580; S. M. Patel, *Rep. INC for* 1902, p. 229; G. S. Iyer, EA, p. 261; *Kaiser-i-Hind*, and *Gujarati*, 23 Aug. (RNPBom., 29 Aug. 1903); *Daily Hitavadi*, 15 Apr. (*RNPBeng.*, 15 Apr. 1905).

In contrast to the policy being followed by the government, the Indian leaders argued that so far as the true interests of the people were concerned it was 'of greater importance to construct irrigation works than more railways'.[120] 'It is the true interest of the Chambers (of Commerce) to fight under the banner of Railways', asserted the *Mahratta* of 17 February 1884, 'whereas it is our interest that we should fight for canals'. The Indian case was presented most eloquently by the *Kaiser-i-Hind* of 23 August 1903. Pleading for an expenditure of 4 to 5 crores of rupees per annum on irrigation works as against the existing paltry sum of 1 to 1¼ crores of rupees, it wrote:

> It will no doubt be argued that the Government of India cannot afford such a large expenditure, seeing that the annual programme of fresh railway construction demands at the least 5 to 6 crores of rupees per annum. We meet this argument by saying that the time has come when railway construction should proceed at a very *moderate* pace. . . .After all the costly experience acquired during the recent calamitous visitation, and after all the apalling mortality of millions of human beings and agricultural cattle, is the Government still so short-sighted as to persist in its policy of railway construction at a breathless pace in order to please the selfish Chambers of Commerce, and subordinate the true interests of millions of the native population, who even *now* go on insufficient food from year's end to year's end, by limiting to a very narrow compass the projects of irrigation which we know to a certainty will radically change the entire aspect of the insecure areas all over the country?[121]

120. Wacha, *Speeches*, App. p. 25. Also Wacha, *Welby Commission*, Vol. III, Qs. 17612-9.

121. *RNPBom.*, 29 Aug. 1903. For further Indian comment, see *Jame-Jamsed*, 19 Aug. (*RNPBom.*, 26 Aug. 1876); Joshi, *op. cit.*, p. 678; *Native Opinion*, 9 Sept. (*RNPBom.*, 15 Sept. 1883); *Indian Spectator*, 27 Dec. 1891; *Native Opinion*, 10 Jan. (*RNPBom.*, 16 Jan. 1892); *Lokopakari*, 29 Aug. (*RNPM*, 15 Sept. 1897); *Hindu*, 29 Oct. 1897, and 12 May 1902; Sayani, *LCP*, 1898, Vol. XXXVII, p. 534; *Paisa Akhbar*, 5 Aug. (*RNPP*, 28 Aug. 1897); N. K. R. Iyer, *Rep. INC for* 1901, pp. 138-9; *Sasilekha*, 27 Sept., and *Swadesmitran*, 1 Oct. (*RNPM*, 5 Oct. 1901); *Jananukalan*, 13 May (*ibid.*, 13 June 1903); *Kistnapatrika*, 15 May (*ibid.* 21 May 1904); *Gujarati*, 23 Aug. (*RNPBom.*, 29 Aug. 1903); Dutt, *EHII*, pp. 178, 270, 545, and *Speeches II*, pp. 31, 49, 60.

Some of the Indian leaders felt that the existing facilities for irrigation were totally inadequate when viewed in the light of the needs of Indian agriculture or the possibilities of the situation.[122] They held up for praise and emulation the work of the pre-British rulers and princes in providing multifarious facilities for irrigation.[123] They demanded rapid and extensive development of irrigation as it could mean 'the practical salvation of India'.[124]

Why did Indian leaders prefer irrigation to railways? Mostly because irrigation was, in their opinion, a far more effective and reliable remedy against famines than railways.[125] Railways were only a palliative that could at the most mitigate the worst effects of a famine, while irrigation went to the root of the trouble and could, therefore, prevent a famine. Railways could do no more than lead to a more equitable distribution of the existing quantity of foodgrains between the various parts of the country; irrigation, on the other hand, could increase the production of foodgrains itself.[126] In fact, as has been brought out

122. *Native Opinion*, 9 Sept. (RNPBom., 15 Sept. 1883); Joshi, *op. cit.*, pp. 336, 856, 857, 866-7; Dutt, *EHII*, p. 171, and *Speeches I*, p. 7.

123. Ranade, 'Parliamentary Committee on Indian Public Works', *JPPS*, July 1881 (Vol. IV, No. 1), p. 11; *Native Opinion*, 9 Sept. (RNPBom., 15 Sept. 1883); *Indu Prakash*, 30 Nov. (*ibid.*, 30 Dec. 1904); Dutt, *Speeches II*, pp. 60, 78.

124. *ABP*, 14 Nov. 1901. Also, Joshi, *op. cit.*, p. 336; Wacha, *Speeches*, App. p. 25, and in *CPA*, p. 575; Sayani, *LCP*, 1897, Vol. XXXVI, p. 190; P. A. Charlu, *LCP*, 1900, Vol. XXXIX, p. 144, and *LCP*, 1903, Vol. XLII, pp. 144-5; Dutt, *Famines in India*, p. 82, *Speeches II*, pp. 60-1; Sri Ram, *LCP*, 1904, Vol. XLIII, p. 510; *Bombay Chronicle*, 27 March (RNPBom., 2 Apr. 1881); *Bombay Samachar*, 9 Sept., and *Sanja Vartman*, 9 Sept. (*ibid.*, 10 Sept. 1904); *Hindu*, 12 May 1902.

125. *Bombay Samachar*, 28 Jan. (RNPBom., 28 Jan. 1882); Joshi, *op. cit.*, p. 697; *Sasilekha*, 1 Oct. (RNPM, 15 Oct. 1897); *Swadesamitran*, 30 Oct. (*ibid.*, 30 Nov. 1897); P. A. Charlu, *LCP*, 1901, Vol. XL, p. 280; N. K. R. Iyer, *Rep. INC* for 1901, pp. 138-9; Wacha in *CPA*, pp. 576-7; Dutt, *EHII*, pp. 178, 366-7, and *Speeches II*, pp. 49, 60, 78; Sayani, *LCP*, 1898, Vol. XXXVII, p. 534.

126. G. S. Iyer wrote in 1898: 'They (railways) cannot produce wealth, but can only help in its distribution. On the other hand, works of irrigation enable the ryot to grow two bushels of corn where he grew only one' (in *Indian Politics*, p. 182). R. C. Dutt told an English audience in 1901: 'The railway system does not add one single blade of corn to the food supply of the country, while irrigation works double the food supply, save crops, and prevent famines' (*Speeches II*, p. 77). Also *Indian Spectator*, 27 Dec. 1891;

earlier, the Indian leaders believed that, by facilitating the export of foodgrains in normal years, railways contributed towards the transformation of scarcity into famine.

Another argument advanced by the Indians in favour of irrigation was its profitability. Irrigation works, they pointed out, were financially remunerative—they yielded a profit of 6 to 9 per cent, while railways had been continuously showing deficits.[127] Some Indian writers also pointed out that irrigation canals could also be used as a means of cheap transport.[128]

Interestingly enough, a few of the Indian leaders were also able to observe that money spent on irrigation created employment opportunities for the Indian people, as most of it was spent in digging canals, wells, etc., while most of the expenditure incurred on railways benefited the foreign countries which supplied the equipment.[129] One of them was able to see even deeper and to correlate, quite precociously, the comparative merits of irrigation and railways to the stage of economic development that India had reached at that particular juncture of time. 'We believe', wrote the *Native Opinion* of 9 September 1883, 'canals are more calculated to fit in with our system of revenue and expenditure and the infant development of our

Wacha, *Speeches*, App. p. 25, and in *CPA*, p. 577; Sayani, *LCP*, 1897, Vol. XXXVI, p. 189; *Hindu*, 12 May 1902; Dutt, *EHII*, pp. 174, 360; *Indu Prakash*, 30 Nov. (*RNPBom.*, 3 Dec. 1904).

127. *Native Opinion*, 9 Sept. (*RNP Bom.*, 15 Sept. 1883); Joshi, *op. cit.*, p. 697; Sayani, *LCP*, 1898, Vol. XXXVII, p. 534; *Karnatak Patrika*, 17 Oct. (*RNPM*, 31 Oct. 1898); Wacha in *CPA*, pp. 578, 580; *Gujarati*, 23 Aug. (*RNP Bom.*, 29 Aug. 1903); G. S. Iyer, *EA*, p. 267; Dutt, *EHII*, pp. 173-4. Of course, this was not to be the sole criterion. Because of their being an anti-famine measure, irrigation works should be constructed even if un-remunerative. See Ranade, 'Parliamentary Committee on Indian Public Works', *JPSS*, July 1881 (Vol. IV, No. 1), p. 26; and Dutt, *EHII*, pp. 369, 553 and *Speeches II*, p. 78. It may also be mentioned in this connection that some of the Indian writers criticised on this very ground of profitability large-scale canal-irrigation works and favoured instead small-scale and less costly well and tank-irrigation, Joshi, *op. cit.*, pp. 867-8; Wacha, *Speeches*, App. p. 25; *Bangabasi*, 5 May (*RNP Beng.*, 12 May 1894).

128. Ranade, 'Parliamentary Committee on Indian Public Works', *JPSS*, July 1881, pp. 16, 25, 27; *Native Opinion*, 9 Sept. (*RNP Bom.*, 15 Sept. 1883); *Sasilekha*, 1 Oct. (*RNPM*, 15 Oct. 1897); Dutt, *EHII*, pp. 178, 366-7.

129. *Native opinion*, 9 Sept. (*RNP Bom.*, 15 Sept. 1883); Sayani, *LCP*, 1897, Vol. XXXVI, pp. 189-90; *Sasilekha*, 1 Oct. (*RNPM*, 15 Oct. 1897).

resources than railways which are mere heavy ornaments. Canals would add to the revenue by increasing the fertility of the land, and leave us more capital to apply towards the other wants of the country.'

But if the case for irrigation was so strong, why was the development of canals neglected by the Government of India? In their search for an answer to this question, some of the Indian leaders were once again forced to make an agonising reappraisal of the motives of the rulers of the country. They came to hold by the dawn of the 20th century that the neglect of irrigation was the product of British selfishness and the deep-rooted proclivity of the foreign rulers to sacrifice the interests of the Indian people in order to placate and serve the interests of the British traders, manufacturers and investors. This opinion was sometimes very clearly articulated. 'As might be expected', wrote R. C. Dutt in 1901, 'preference was given to railways which facilitated British trade with India, and not to canals which would have benefited Indian agriculture.'[130] The *Kaiser-i-Hind* of 23 August 1903 was even more forthright and clear-headed:

> But it is here that the cloven hoof of the Government of India is to be seen. We make bold to say that the love of Government for the Chambers of Commerce and for the foreign traders is infinitely greater than all its solicitude for the amelioration of the indigent and indebted agriculturists. And however it may dissemble, it is a deplorable feature of the administration that the Government allows the interests of the great mass of the population to be subordinated to those of a handful and selfish class of foreigners.[131]

And even the usually moderate *Indu Prakash* wrote on 30 November 1904:

> It is impossible to exaggerate the importance of canals for a purely agricultural country like India. But, then, the country

130. Dutt, *EHI*, p. 312. Also *EHII*, pp. 545-6, and *Speeches II*, pp. 31, 60, 77.

131. *RNP Bom.*, 29 Aug. 1903.

is hardly governed in the interests of the people. English merchants require more railways in the country for extending their markets, and Government are providing these for their benefit.[132]

In the beginning, the Indian agitation had little impact on the administrators who dismissed it as uninformed.[133] For example, in his speech on the Budget for 1900-01, Lord Curzon dealt with the problem at length and came to the conclusion that irrigation could not 'be expected to secure immunity from drought to districts now liable to famine, or to help directly their suffering inhabitants.' On the contrary, the Viceroy appeared to hold the view that it might even accentuate the problem, for he further remarked: 'Indeed when a desert tract is brought under cultivation, a stimulus is given to the growth of population, and more mouths have in time to be fed.' In any case, he opined, the scope for further extension was clearly limited since no more than 4,000,000 acres of land could be brought under irrigation in the future. 'The fact remains', he asserted, 'that the majority of the irrigation works that were most feasible, or most urgently required as protective measures against famine, have now been carried out, and that there is not in irrigation that prospect of quite indefinite expansion with which the popular idea sometimes credits it.'[134] But the matter did not rest with this seemingly final pronouncement. The pressure of Indian public opinion was ultimately felt. In the very next year's speech on the Budget, Lord Curzon pleaded: 'It is no good flogging a willing horse. No Government of

132. *RNP Bom.*, 3 Dec. 1904. Also see, P. A. Charlu, *LCP*, 1900, Vol. XXXIX, p. 144; Sri Ram, *LCP*, 1904, Vol. XLIII, p. 510; *Kesari*, 9 Sept. (*RNP Bom.*, 13 Sept. 1890); *Daily Hitavadi*, 5 Apr. (*RNP Beng.*, 15 Apr. 1905).

133. In 1877, Lord Salisbury declared: 'We must not look to irrigation as an extensive remedy against famine' (quoted in John Murdoch, *Famine—Facts and Fallacies*, p. 9). A Select Committee of the Parliament emphatically rejected in 1878 the idea of large-scale irrigation in India. Dutt, *EHI*, p. 369. There was even a complacency in certain official circles that the problem of famines had been solved as a result of the rapid expansion of the railways. See, for example, Chesney, *op. cit.*, pp. 343-4. This complacency was, of course, shattered by the series of famines that occurred between 1896-1901.

134. Curzon, *Speeches I*, pp. 319-20.

India has ever been more profoundly impressed with the importance of encouraging irrigation than this.' And he asked his critics to believe in 'the thoroughness and sincerity of our intentions'.[135] As a proof of this sincerity, he appointed a commission to review the whole question of irrigation and its latent possibilities. D. E. Wacha would not miss this chance to chide the government for its delay in grasping the truth. 'In these matters', he commented in 1901 in his Congress Presidential Address, 'it would seem that the Government has been far behind the march of enlightened Indian opinion.'[136]

The Irrigation Commission, which reported in April 1903, recommended an additional expenditure of 44 crores of rupees, spread over 20 years, in order to increase the irrigated area by 6½ million acres.[137] Lord Curzon accepted the programme outlined by the Commission but commented 'it is yet the maximum programme open to human agency and to finite powers, and it is one that may well appeal either to the enthusiasm of the individual, or to the organised ability of the State.'[138] Indian reaction to the recommendations of the Commission was quite favourable,[139] the only criticism being that they were still niggardly and that a much higher expenditure, spread over a shorter period of time, should have been recommended.[140]

VIII. CONCLUSIONS

The foregoing analysis of the nationalist approach towards

135. Curzon, *Speeches II*, p. 282.

136. Wacha in CPA, pp. 577-8. R. C. Dutt, pointing out that in the matter of irrigation Indian criticism had been 'absolutely in the right', said: 'India would have been safer from famines by this time if that criticism had more influence with the Indian Government' (*Speeches II*, p. 60). Also pp. 31, 61, 78, and EHII, p. 370.

137. *Imperial Gazetteer* (1908), Vol. III, p. 353.

138. Curzon, *Speeches IV*, p. 101.

139. *Mahratta*, 23 Aug. 1903; *Hindu*, 20 Aug. 1903; *Voice of India*, 22 Aug. 1903; *Sanj Vartman*, 20 Aug. (RNP Bom., 22 Aug. 1903); *Kaiser-i-Hind*, and *Gujarati*, 23 Aug. (*ibid.*, 23 Aug. 1903); *Madras Standard*, 20 Aug. (RNPM, 3 Oct. 1903); Dutt, EHII, pp. 551-3.

140. *Mahratta*, 23 Aug. 1903; *Kaiser-i-Hind*, 23 Aug., and *Gujarati*, 23 Aug. (RNP Bom., 23 Aug. 1903).

railways once again reveals the depth of the economic thinking of the Indian national leaders of the period under study. The role of railways was evaluated by them, not in abstract terms, but entirely in the wider context of economic development.

A review of the existing railway policy led them to conclude that it was not primarily regulated in the interests of the Indian people; and that it largely ignored Indian needs, particularly industrial needs, and was mainly meant to serve British economic and political interests. They noted that railways played an important role in imparting colonial character to the Indian economy. They were even able to glimpse the growing connection between railway development in a backward country and the growing power of finance in the advanced metropolitan country and the consequent political complications.

They wanted railways to serve national economic interest by stimulating economic development, which was in turn seen as consisting of industrial and agricultural growth. To them the proper railway policy was one that promoted Indian industry and a proper public works policy one that gave priority to irrigation and agriculture.[141] They desired railway policy to give due weight to the state of Indian finances and Indian economy.

In the end, it may be noted that the railway policy enunciated by the Indian leaders wholly subordinated the needs of trade to the needs of industry. Its aim was to encourage Indian industry and not to promote wider imports, to encourage the production of more foodstuffs and not their larger export. Their policy was, therefore, once again not in the interests of the growing merchant capital which was being enabled by the

141. This is the reason why the 'regenerative' role of railways did not catch their imagination. They discerned, as pointed out later by Buchanan, that 'for a long period, they (railways) were rather a disadvantage than otherwise to manufacturing' (*op. cit.*, pp. 191-2); and that agriculture also suffered as a result of the inordinate attention paid to the development of the means of communication.

railways to penetrate and hold sway over the countryside and which was certainly very strongly in favour of the rapid extension of railways. For instance, in 1888 in an address to the Viceroy, Lord Lansdowne, the Bengal National Chamber of Commerce pleaded for a speedy development of railways and feeder roads in the interests of inland and foreign trade. Earlier in a memorial to the Railway Conference, the Chamber had urged the desirability of reducing the high railway rates prevalent at the time, especially on foodgrains, seeds and jute, i.e., products destined for export.[142] Similarly, in 1899, in an address to Lord Curzon, the Chamber deprecated the fact that India had only 21,000 miles of railways open as a result of which 'there are large tracts in the interior which have no direct communication with any commercial centre'. 'To us, therefore, who are deeply interested in the trade of the country,' concluded the address. 'Your Excellency's assurance on the subject of Railway extension is most welcome.'[143] The opposition offered by the Indian national leaders to the rapid extension of railways, the grounds advanced for the purpose, and the direction which they sought to give to railway development, therefore, prove that the industrial interests of the country were much nearer their hearts than were the commercial interests.

142. *Report of the Bengal National Chamber of Commerce for* 1888, pp. 62 and 58-9.

143. *Ibid.*, 1899, pp. 4-5.

CHAPTER VI

Tariffs

> The interests of India imperatively require the timely removal of a tax which is at once wrong in principle, injurious in its practical effect, and self-destructive in its operations.
>
> — LORD SALISBURY
>
> That principle and that policy are that the infant industries of India should be strangled in their birth if there is the remotest suspicion of their competing with English manufactures.
>
> — PHEROZESHAH MEHTA

Another important economic issue to be taken up by the Indian national leadership during the period 1880—1905 was that of tariffs. The importance that the Indians attached to the subject flowed from its intimate link with industrial development and the problem of poverty, whose removal depended, in their opinion, upon rapid industrialisation. The tariff policy of the nationalists was evolved in the course of a dual process: as a reaction to official measures relating to cotton and sugar duties, and, on the theoretical plane, as a response to the doctrine of Free Trade. The latter aspect is examined in a subsequent chapter on Indian Political Economy. In the present chapter only the first aspect has been reviewed.

I. REMOVAL OF COTTON IMPORT DUTIES, 1878-82[1]

At the time of the transfer of administration of India from the East India Company to the Crown, import duties in India con-

1. For a history of Indian tariffs during the entire period under study, see C. J. Hamilton, *The Trade Relations Between England and India* (1600—1896) (Cal., 1919); Pramathanath Banerjea, *Fiscal Policy in India* (Cal., 1922); C. N. Vakil, *Financial Development in Modern India* (Bom., 1924), Chapter XIV; and, of course, Dutt, *EHII*.

sisted of a 3½ per cent duty on cotton twist and yarns, and a 5 per cent duty on other British goods, including cotton piece-goods. The rate of duty on goods from other foreign countries was double of this. The financial difficulties of the Government of India emanating from the Revolt of 1857 forced it in 1859 to raise the import tariff on cotton twist and yarns to 5 per cent and to 10 per cent on other articles. In the following year the duty on cotton twist and yarn was also increased to 10 per cent. But, under pressure from British traders and cotton manufacturers, a process of tariff reform and reduction, particularly on cotton products, was soon set in motion. The duty on cotton twist and yarn was reduced to 5 per cent in 1861 and to 3½ per cent in 1862. The duty on cotton piece-goods was cut down to 5 per cent in 1862. The general import duties were brought down from 10 to 7½ per cent in 1864 and to 5 per cent in 1875. All through these years import duties were imposed for purely revenue purposes without even a tinge of protective intention.

Even so, about the year 1874, cotton duties, which contributed nearly half of the total revenue yielded by import duties, came under a severe attack from the Lancashire cotton manufacturers.[2] In 1874 the Manchester Chamber of Commerce addressed a memorial to the Secretary of State complaining that a protected trade in cotton manufactures was growing up in India to the disadvantage both of India and Great Britain and asking for the abolition of the import duties on cotton manufactures. But a committee appointed by the Government of India in November 1874 rejected the contention that the duties were protective. The cause of Free Trade was, however, taken up most vigorously by the new Conservative Secretary of State for India, Lord Salisbury, who repeatedly impressed upon the Government of India the necessity of removing the import duties on cotton goods.[3] He stressed that their abolition was necessary

2. *The Imperial Gazetteer* (1908), Vol. IV, p. 262.

3. See the Secretary of State's *Despatch* (*Separate Revenue*), No. 6, 15 July 1875 and his *Despatches* (*Legislative*) of 11 Nov. 1875 (No. 51) and 31 May 1876 (No. 25).

on both economic and political grounds. First of all, he pointed out, protective duties were opposed to the general policy of Free Trade accepted by Great Britain. Secondly, they harmed the British producers by restricting the export of their manufactures to India. Thirdly, they were against the interests of the Indian people whose necessaries of life were made costlier by them. Lastly, they were not even in the true interests of the rising Indian textile industry that was, because of them, growing upon unsound foundations under artificial stimulation. Furthermore, he remarked, the political reasons for early abolition of the cotton duties were equally imperative. Indeed, the prophetic insight revealed in his reasoning in this respect tempts us to reproduce at length from the original:

> The gradual transfer of the Indian trade from the English to the Indian manufacturer, which appears likely to take place, will be attended with much bitterness of feeling on the one side, and with the keen anxiety for the security of an unexpected success upon the other. The English manufacturer will press with increasing earnestness for the abandonment of the duty to which he will impute his losses; and in proportion to his urgency the Indian manufacturer will learn to value it.... *Some soreness even now will be felt, and more will be expressed by persons who will trace such a policy to a preference of English over Indian claims. But the irritation will only extend over a wider surface if action is delayed, and may, if the delay be too far prolonged, become a serious public danger.*[4] (Emphasis added).

The whole controversy was conclusively settled, at least in so far as Lord Salisbury was concerned, in his despatch of 31 May 1876. After re-examining the entire question, he declared that

4. The Secretary of State's *Despatch* of 15 July 1875, *loc. cit.* In his Despatch of 11 Nov. 1875, he reiterated that the duty on cotton goods 'places two manufacturing communities, upon whose well-being the prosperity of the empire largely depends, in a position not only of competition, but of political hostility to each other.... if the task of dealing with it be long postponed it will be the subject of controversy between interests far more powerful and embittered than those that are contending over it at the present time' (*loc. cit.*).

'the interests of India imperatively require the timely removal of a tax which is at once wrong in principle, injurious in its practical effect, and self-destructive in its operations.' The only remaining argument against the removal of the cotton duties was the harmful effect that it would have upon the exchequer; and, in this respect, he laid down that, while the Government of India should use its discretion in implementing his directive, the abolition of these duties should have priority over every other form of fiscal relief to the Indian tax-payer.

The Government of India and the Viceroy, Lord Northbrook, were, however, not amenable to the proddings of the Secretary of State and refused to abandon the cotton duties on the ground that they were not in practice protective. But with a view to appeasing the critics, the Government decided to impose a 5 per cent duty on the import of long-staple cotton.

The fate of the cotton import duties was, however, sealed when the resignation of Lord Northbrook in 1875 was followed by the appointment of Lord Lytton as the Viceroy and of Sir John Strachey as the Finance Member, both of whom were quite keen to comply with the wishes of the Secretary of State.[5] At this time (on 11 July 1877), the House of Commons passed a Resolution to the effect that 'the duties now levied upon cotton

5. For Lytton's attitude, see Lady Betty Belfour, *The History of Lord Lytton's Indian Administration*, 1876 to 1880 (London, 1899), pp. 462, 477; for Strachey, see his Financial Statement of 1877.

Strachey threw further light on his attitude in the following rather frank words: 'I altogether disbelieve that there is, in this matter, any conflict between Indian and English interests....I will not speculate on what ought to have been done if the case had been different; but there is one thing which I wish to take this opportunity of saying: we are often told that it is the duty of the Government of India to think of Indian interests alone, and that if the interests of Manchester suffer it is no affair of ours: for my part, I utterly repudiate such doctrines: I have not ceased to be an Englishman because I have passed the greater part of my life in India, and have become a member of the Indian Government. The interests of Manchester, at which foolish people sneer, are the interests not only of the great and intelligent population engaged directly in the trade in cotton, but of millions of Englishmen: I am not ashamed to say that, while I hope that I feel, as strongly as any man, the duties which I owe to India, there is no higher duty in my estimation, than that which I owe to my own country.' See also his Financial Statements of 1878 and 1879.

manufactures imported into India, being protective in their nature, are contrary to sound commercial policy, and ought to be repealed without delay as soon as the financial condition of India will permit.'[6] The enthusiasm of Lord Lytton and his Finance Minister was, however, curbed to a certain extent by the financial stringency produced by the Afghan War, recurring famines, and the depreciation of silver. Even so, the duties on certain coarser kinds of cotton goods were remitted in 1878 and in 1879 the duties on all cotton goods not containing yarn of a count higher than 30 were remitted. Further opportunity came in 1882 when the budget showed a surplus of £3 millions. Cotton duties, along with duties on most of the other commodities, were remitted *in toto*. Only the special duties on salt, wines and liquors, and arms and ammunition were allowed to remain.

For the next 12 years India was virtually without any tariff duties, and conformed more nearly to the principles of Free Trade than any other country. Even the ports of Britain were less free than those of India. This naturally resulted in an increase in the import of manufactured goods, the value of these imports went up by 28 per cent from 1878-9 to 1881-2 and 45 per cent during 1878-9 to 1884-5. Since these were also the years of a steady fall in prices, the quantitative increase in India's imports was much greater. Admittedly, this increase was the product of many other factors and forces; but, unquestionably, it was also in part due to the abolition of import duties.[7]

6. While forwarding the Resolution to the Government of India, Lord Salisbury pointed out 'that 5 more mills were about to begin work, and that it was estimated that by the end of March 1878 there would be 1,231,284 spindles employed in India' (App. D to the *Financial Statement* for 1878).

7. J. Strachey, *India* (1903), pp. 181-2. Also Baring, *Financial Statement*, 1883, paras 75-8; Parimal Ray, *op. cit.*, p. 50; and Joshi, *op. cit.*, pp. 628-9. Hamilton has, however, propounded the opposite view 'that the removal of the duty neither caused the growth of the import trade in piecegoods to be more rapid than before nor prevented the expansion of the Indian cotton trade from proceeding at a faster rate' (*op. cit.*, p. 247).

II. NATIONALIST OPPOSITION TO ABOLITION OF COTTON IMPORT DUTIES

From the beginning of the movement for the abolition of cotton import duties, the Indian national leadership opposed it unanimously and with such fire and fury that it led Sir John Strachey, one of the main targets of this attack, to complain many years later that 'popular opinion in India had always, in regard to questions of fiscal reform, been obstructive and ignorant.'[8]

As early as 1874, when the Manchester Chamber of Commerce demanded the repeal of cotton duties in India and the Secretary of State referred the demand to the Government of India, the *Sahachar* of Bengal remonstrated against it most vigorously.[9] A similar protest was lodged by the Bombay Branch of the East India Association in January 1875.[10] The newspapers also criticised severely the Government's attempt to appease the critics of the cotton duties by imposing in 1875 a 5 per cent duty on the import of long-stapled cotton and reducing import duty on cotton textiles.[11] Early next year, the press deprecated the assurance given by Lord Salisbury to the Manchester Chamber of Commerce that cotton duties would be gradually reduced.[12]

The repeal of the duty on some of the coarse cotton goods in March 1878 was vehemently decried by many of the news-

8. Strachey, *India* (1903), p. 178.

9. Reproduced on 17 Dec. 1874 in the *Indian Public Opinion*, a foreign edition of ABP. Also see papers covered by *RNPBeng.* for 2, 9 Jan., 6, 27 Feb. 1875.

10. Memorial of the Managing Committee of the Bombay Branch of the East India Association, 15 Jan. 1875, *Journal of the East India Association*, Vol. IX, 1875.

11. See *RNPBom.* for 14, 21, 28 Aug., 4, 11 Sept. 1875; *RNPBeng.* for 14, 21, 28 Aug. 1875; *RNPPN*, 28 Aug. 1875; *RNPM*, Sept.-Oct. 1875.

12. See *RNPBom.*, for 4, 11, 18, 25 March, 1, 8 Apr. 1876; *RNPBeng.* for 18, 25 March, 15, 22, 29 Apr. 1876. For later protest, see Bholonath Chandra, *MM*, Vol. V, Jan.-June 1876, pp. 3, 58-63; *Yazdan Parast*, 1 Apr., *Bombay Samachar*, 31 March (*RNPBom.*, 7 Apr. 1877); *Jame Jamsed*, 16 Apr. (*ibid.*, 21 Apr. 1877); *Indu Prakash*, 23 Apr. (*ibid.*, 28 Apr. 1877); *Education Gazette*, 20 July (*RNPBeng.*, 28 July 1877); *Sahachar*, 23 July (*ibid.*, 4 Aug. 1877).

papers[13] and the further exemption from duty of all grey cotton goods in 1879 resulted in a nation-wide condemnation by the press and public men.[14] Burning with indignation, Surendranath Banerjea enquired: 'Was there ever a more wanton sacrifice, a more utter disregard of the interests of the people of this country?'[15] Similarly, the *Sadharani* of 23 March 1879 condemned Lord Lytton for this act in very strong language. 'In fact, the more we study the character of Lord Lytton', it wrote, 'the greater becomes our disgust with it.' It described the repeal of cotton duties as the story of Lord Lytton's 'imbecility' and exclaimed: 'Never shall we forget this instance of partiality which he has shown to his race in this time of our distress.'[16]

The talk during 1880-01 of the total repeal of the remaining cotton duties had the Indian newspapers and public bodies once again up in arms.[17] Lord Hartington's remark, in August 1881 in his speech on the Indian Budget, that no opportunity would be lost of urging the Indian government to abolish the cotton duties sparked off another round of nationalist protest.[18] Finally, when Major Baring announced the complete abolition of cotton duties in 1882, Indian public opinion unanimously

13. See *RNPBom.* for 23, 30 March, 6, 13 Apr. 1878. Also see *RNPBom.* for 11, 18 Jan., 8, 15, 22 Feb., 1, 15 March 1879; *RNPBeng.* for 22 Feb., 1 March 1879; *RNPPN* for 22 Feb., 1 March 1879; *Brahmo Public Opinion*, 13 Feb. 1879.

14. See *RNPBom.* for 22, 29 March, 5, 26 Apr., 10 May 1879; *RNPBeng.* for 22, 29 March, 5, 12 Apr. 1879; *RNPPN*, 5, 12 Apr. 1879. A public meeting was held in Bombay on 3 May 1879 to protest to the parliament against the action of the Government of India. *Indu Prakash*, 5 May (*RNPBom.*, 10 May 1879). A similar meeting was convened in Calcutta on 27 March 1879 and was attended by nearly 300 persons (Bagal, *op. cit.*, p. 41). Also see, S. N. Banerjea, *Speeches I*, pp. 201-3; K. T. Telang, *Select Writings and Speeches* (Bombay, 1916), pp. 185-6; Lal Mohan Ghose, *Speeches of Lal Mohan Ghose*, ed. by Asutosh Banerjea (Cal., 1883 and 1884), Part I, p. 9.

15. S. N. Banerjea, *Speeches I*, p. 202.

16. *RNPBeng.*, 5 Apr. 1879.

17. *Bharat Mihir*, 19 Feb. (*RNPBeng.*, 28 Feb. 1880); *Bengalee*, 29 Jan. 1881; *ABP*, 24 Feb. 1881; papers covered by *RNPBeng*, for 1, 8, 15 Jan., 19 Feb., 5 March 1881, *RNPBom.*, 29 Jan. 5, 26 Feb. 1881; a public meeting organised by the Poona Sarvajanik Sabha at Poona on 16 May 1880, *JPSS*, Vol. III, No. 1 (July 1880), p. 9 (also see p. 3).

18. *Mahratta*, 28 Aug., 18 Sept. 1881; *Native Opinion*, 28 Aug., 4 Sept., 18 Sept. 1881; and papers covered by *RNPBom.* for 3, 10, 24 Sept. 1881, *RNPBeng.*, 24, 31 Dec. 1881.

disapproved of his action.[19] Some of the critics expressed themselves in rather strong language. 'The repeal of the import duties is a crime', wrote the *Amrita Bazar Patrika* on 6 April 1882, 'and any attempt to justify it, we repeat, simply heightens the enormity of the crime.' But, on the whole, nationalist criticism of Baring's action was comparatively mild. This was so partly because the measure had long been anticipated and excoriated and criticised threadbare and, in any case, did not really affect Indian textile industry as it concerned textile goods of finer counts which Indian mills were not yet manufacturing on any significant scale. But perhaps a more important reason for the temperateness of the nationalist attack was the wide popularity enjoyed by Lord Ripon and Major Baring among Indians and the latter's anxiety not to embarrass the former politically.[20]

While opposing the repeal of cotton duties, the Indian leadership refuted the chief ground advanced by their opponents that the duties gave protection to Indian textile industry. On the one hand, it maintained that the cotton duties were entirely non-protective in character, since India did not produce fine cotton goods, which constituted the bulk of cotton imports, and since it imported very little of coarse cotton goods, in the production of which Indian mills specialised and in which they enjoyed certain natural advantages which could not be neutralised by the abolition of cotton duties;[21] on the other, it asserted

19. *ABP*, 16, 23, 30 March, 6 Apr. 1882; *Bengalee*, 11 March 1882; *Mahratta*, 26 March 1882; *Native Opinion*, 12 March 1882; papers covered by *RNPBom.* for 11, 18 March, 1 Apr. 1882, *RNPBeng.* for 25 March, 1 Apr. 1882, *RNPPN* for 22, 29 March, 5, 12 Apr. 1882. Even the 'ultra-royalist' Maharaja Jatindra Mohan Tagore censured the abolition of the cotton duties from his seat in the Council Chamber (*LCP*, 1882, Vol. XXI, p. 304).

20. Their regime already had to its credit the withdrawal of the Vernacular Press Act and the extension of local self-government. The Criminal Procedure Code Amendment Bill was in the offing. More than anything else, the Indian leadership still had abiding faith in the English Liberals and Radicals.

21. See, for example, Memorial of the Bombay Branch of the East India Association, *Journal of East India Association*, Vol. IX (1875), p. 99; Bholonath Chandra, *MM*, Vol. V (Jan.-June, 1876), pp. 51, 58-9; newspapers covered by *RNPBom.* for 22, 29 March, 5, 12, 26 Apr., 3 May 1879; Telang, *Writings*, p. 186; L. M. Ghose, *Speeches*, Part I, p. 9; S. N. Banerjea, *Speeches I*, p. 202; 'Viceroyalty of Lord Lytton,' *JPSS*, Vol. III, No. 1 (July 1880), pp. 68-9; *Mahratta*, 26 March 1882. The Indian view was controverted by Sir John

that in India the duties were needed for purely revenue purposes and were, in fact, essential because of the character of Indian finance.[22] It argued that there was no other source of revenue as painless and inoppressive as cotton duties, and expressed the fear that, owing to the hopeless plight and disordered condition of Indian finances, the loss caused by the abandonment of cotton duties would be, and was indeed being, made up by recourse to further public borrowing and more odious forms of taxation.[23] In fact, remarked some of the Indians, it was highly iniquitous that cotton duties should be abolished when the salt tax and the licence tax were still on the statute book.[24]

Surprisingly enough, many of the Indian leaders also declared, in the same breath in which they upheld the non-protective character of cotton duties, that their abolition would have a very injurious effect on the Indian textile indus-

Strachey in the following surprising, but revealing, words: 'Since almost every article that is now on the tariff, or that could be named, is either produced or is capable of being produced in India, it follows that import duties must in every case be actually or potentially protective' (*Financial Statement*, 1878, para 55).

22. See, for example, Memorial of the Bombay Branch of the East India Association, *loc. cit.*; Bholonath Chandra, *loc. cit.*; Telang, *Writings*, p. 185; S. N. Banerjea, *Speeches I*, pp. 200-02; 'Viceroyalty of Lord Lytton,' *loc. cit.* Also most of the newspapers cited in f.n.'s 13-14 above.

23. Memorial of the Bombay Branch of the East India Association, *loc. cit.*; *Sahachar*, 23 July (*RNPBeng.*, 4 Aug. 1877); L. M. Ghose, *Speeches*, Pt. I, p. 9; *Brahmo Public Opinion*, 13 Feb. 1879; *Arunodaya*, 6 Apr., *Nyaya Prakash*, 31 March, *Gujerat Mitra*, 6 Apr. (*RNPBom.*, 12 Apr. 1879); *Indu Prakash*, 5 May (*ibid.*, 10 May 1879); S. N. Banerjea, *Speeches I*, pp. 193, 200-02; Ranade, *JPSS*, Vol. IV, No. 1 (July 1881), p. 50. Many years later, R.C. Dutt bemoaned: 'The duty was actually repealed when Southern India had not yet recovered from the Madras famine of 1877; when Northern India was still suffering from the famines of 1878; when new cesses on land had recently been added to the Land Revenue; when the Famine Insurance Fund created by special taxes had disappeared; when the estimated budget showed a deficit; and when troubles and a vast expenditure in Afghanistan, brought about in quest of a scientific frontier, were impending' (*EHII*, p. 416).

24. *Bombay Samachar*, *Jame Jamsed*, and *Akhbare Sowdagar*, 21 March (*RNPBom.*, 23 March 1878); *Indian Spectator*, 28 Aug. (*ibid.*, 3 Sept. 1881); *Bengalee*, 11 March 1882; *Indian Spectator*, *Native Opinion*, *Gujerat Mitra*, 12 March (*RNPBom.*, 18 March 1882). In fact, most of the newspapers which commented on the abolition of import duties in 1882 made this point.

try;[25] thus, they acknowledged, by implication, the protective character of the duties, for on no other basis could it be maintained that the Indian industry would suffer on account of their repeal. As a matter of fact, some of them did openly admit that the duties were protective and defended them on that score. Moreover, as will be shown in a later chapter, nearly all the Indian leaders of the period under study fervently advocated the use of protection to promote industrialisation.

III. POLITICAL IMPLICATIONS

Opposition to the abolition of cotton duties was one of the few public issues taken up for agitation by the early Indian nationalist leaders that was pursued consistently, intelligently, and unitedly for years. But the final outcome of the struggle was, for them, completely frustrating. Step by step their point of view was ignored and rejected and, in the end, the cotton duties were totally repealed. This resulted in the widespread growth and prevalence of embittered feelings and antagonism towards the rulers. Gradually, the good faith of the rulers began to be doubted and appropriate political conclusions began to be drawn by many of the rising Indian leaders.

The enforcement of a policy that seemed to the nationalists to be demonstrably opposed to the interests of the country made them raise and, then, answer the question: why was such a policy being followed? According to them, the mainspring of the tariff policy of the government lay neither in the care for welfare of the Indian people nor even in a genuine regard for the principles of free trade but, on the contrary, in the jealousy aroused in the hearts of Lancashire manufacturers by the rapid growth of Indian textile industry. They also came to believe that, since both the political parties in England were keen to win political favour in Lancashire, the partial or complete repeal of cotton duties amounted to nothing less than an immense

25. Papers covered by RNPBom. for 7, 21, 28 Apr. 1877, and 22, 29 March, 5 Apr. 1879; *Bharat Mihir*, 29 March (RNPBeng., 5 Apr. 1879); *Hindi Pradip*, Apr. (RNPPN, 12 Apr. 1879); *Mirat-ul-Hind*, 15 Feb. (*ibid.*, 19 Feb. 1880); *Burdwan Sanjivani*, 3 Jan. (RNPBeng., 14 Jan. 1882); *Sahachar*, 29 March (*ibid.*, 8 Apr. 1882).

sacrifice of the interests of India to those of the powerful Lancashire interests and to the exigencies of party politics in England.[26] For instance, as early as 15 December 1875, the *Bodha Sudharak* expressed this view in an editorial entitled: 'The Selfish Merchants of Manchester and their bounden Servant the Secretary of State for India.'[27]

Even Justice Ranade was led to observe in July 1881 that Conservative statesmen had during their term of office 'sacrificed the interests of India in the name of free trade', and surrendered £250,000 of Indian revenue 'to gratify Manchester'.[28] Similarly, Rao Bahadur K. L. Nulkar, the conservative Chairman of the Managing Committee of the Poona Sarvajanik Sabha, angrily remarked at a public meeting at Poona in 1880:

> To see how those who control the destinies of India from England can prostitute their power in order to prolong their own tenure of office and save their own treasury, we have only to consider how our revenues from cotton duties were recently sacrificed to gain favour with Manchester.[29]

26. *Sahachar* in foreign edition of *ABP*, 17 Dec. 1874; *Belgaum Samachar*, 1 March (*RNPBom.*, 6 March 1875); *Andhrabhasasanjivani*, undated (*RNPM*, Sept.-Oct. 1875); *Sadadarsha*, 23 Aug. (*RNPPN*, 28 Aug. 1875); papers covered by *RNPBeng.* for 2, 9 Jan., 6, 27 Feb., 13 March, 14, 21, 28 Aug. 1875, *RNPBom.* for 14, 21, 28 Aug., 4, 11 Sept. 1875, 4, 11, 25 March, 1, 8 Apr. 1876, *RNPBeng.* for 18 March, 15, 22 Apr. 1876, 21, 28 July, 4, 18 Aug. 1877, *RNPBom.* for 23 March 1878; Bholonath Chandra, *MM*, Vol. V (Jan.-June 1876), pp. 48, 58-63; L.M. Ghose in *Journal of East India Association*, Vol. XIII, Part II, p. 65, and *Speeches*, Pt. I, p. 9; S.N. Banerjea, *Speeches* I, p. 220; newspapers covered by *RNPBom.* for 22, 29 March, 5, 19, 26 Apr. 1879, *RNPBeng.* for 22 Feb., 22, 29 March, 5, 12 Apr. 1879, *RNPPN*, 5, 12 Apr. 1879; 'The Broken Pledge and Its Consequences', *JPSS*, Vol. II, No. 1 (July 1879), p. 44; 'Viceroyalty of Lord Lytton,' *JPSS*, Vol. III, No. 1 (July 1880), pp. 34, 63, 68; *Mirat-ul-Hind*, 15 Feb. (*RNPPN*, 19 Feb. 1880); *Sahachar*, 20 Dec. 1880 (*RNPBeng.*, 1 Jan. 1881); *Sadharani*, 2 Jan. (*ibid.*, 8 Jan. 1881); *Sulabh Samachar*, 8 Jan. (*ibid.*, 15 Jan. 1881); *Anand Bazar Patrika*, 21 Feb. (*ibid.*, 5 March 1881); *Kesari*, 20 Sept. (*RNPBom.*, 24 Sept. 1881); *Mahratta*, 18 Sept. 1881, 26 March 1882; *ABP*, 16 March 1882; newspapers covered by *RNPBom.* for 18, 25 March, 1, 8 Apr. 1882, *RNPBeng.* for 24, 31 Dec. 1881, 7 Jan., 25 March, 1 Apr. 1882, *RNPPN* for 22, 29 March 1882.

27. *RNPBom.*, 25 Dec. 1875.

28. Ranade, 'Review of "Free Trade and English Commerce" by Augustus Mongredien,' *JPSS*, Vol. IV, No. 1, p. 50. The review appeared in the Journal anonymously. However, we have G.A. Mankar's authority for its having been penned by Justice Ranade (Mankar, *op. cit.*, Vol. I, pp. 214-5).

29. *JPSS*, Vol. III, No. 1 (July 1880), p. 11.

The *Bengalee* of 11 March 1882 condemned not only the action of the Liberal government of Gladstone in repealing the remaining cotton duties in 1882 but also the hypocritical manner in which it was done: 'But it is the high ground upon which the repeal is placed, it is the air of sanctimonious affectation and the pretence of conferring a boom when a wrong is being done that fills us with indignation.'

While the British administrators chose to ignore the logic as well as the vehemence of the Indian protest,[30] many of the Indian leaders began to delve deeper into the political implications of the long-drawn out tussle over the repeal of cotton duties. Hitherto the line of approach they had followed—and were to follow in many instances for some time to come—was that of putting the blame for all acts of misgovernment on the shoulders of the English officials in India, who were looked upon as the villains who had for selfish reasons failed to implement the generous mandate of the benign Queen, the democratic parliament, and the liberty-loving English people. But it soon became public knowledge that in the controversy over cotton duties, the bureaucrats had by and large taken a pro-Indian stand, while the British government and the parliament had played the demon.[31] This drove many Indians to subject to examination, and to openly question, perhaps for the first time on such a wide scale, the good faith of their rulers and, in fact, the very why and the wherefore of the British rule in India. And the painful conclusion they drew was that India was being ruled primarily for the benefit of England and its merchants and manufacturers rather than in the interests of the people of India.

As early as 1875, the *Belgaum Samachar* commented that the

30. Their attitude is exemplified by the later remark of John Strachey that the Indian accusation of British government's partiality to Lancashire interests was a 'foolish calumny' which 'deserved, and deserves, no notice or reply' (*India*, 1903, p. 178). Also see Strachey, *Financial Statement*, 1880, para 77. It should, however, be noted that, at the same time, the highest British authorities took full cognisance of the nationalist objections but considered them as inherent in the situation. See above.

31. Cf. Vakil, *op. cit.*, pp. 408-24.

assurance given by the Secretary of State to the Manchester Chamber of Commerce—that the import duty on English textiles would be abolished—was 'in accordance with other acts of the British Government. They are professedly done for the benefit of India, but are intended for the benefit of the ruling race.'[32] Bholonath Chandra was, however, the first Indian to make a detailed and fearless analysis of the problem. Writing in 1876, he started out by conceding that in the entire controversy the point at issue, namely, the import duties, was not important in itself, since Indian textile industry would grow, because of natural advantages, even if the import duties were removed. However, he asserted, 'the real point struggled for by our nation was to know whether India was to be governed in Indian interests or in the interests of England.' And it was quite obvious to him that the answer served as a 'complete denial to the flattering hopes indulged in by our nation that better days had dawned for them'. The promise of 1858 had proved a mirage and the belief that the transfer of the reins of government from a trading company to the Crown would lead to a change in the nature and purposes of the government had been founded on grains of sand:

> Instead of reform, and an improved regime, and a new role, there is the most positive retrogression. There is the same sympathy of race for race, the same persistent avowal of the coincidence of Indian with English interests, the same rapacious spirit for exaction, and the same determination to hold India in pupilage in 1876, as in 1776.[33]

32. 1 March (*RNPBom.*, 6 March 1875). Similarly, the *Sadadarsha* of 23 August 1875 was led to remark during its comment on the imposition of import duty on long-stapled cotton: 'Who will, after this, deny that our rulers are actuated by a sincere anxiety to see India become a great manufacturing country?' (*RNPPN*, 28 Aug. 1875). Also see *Sadharani*, 29 Aug. (*RNPBeng.*, 11 Sept. 1875).

33. Bholonath Chandra, *MM*, Vol. V (Jan.-June 1876), pp. 58-60. He, therefore, exclaimed: 'Vain, therefore, is the visit of the heir-apparent for the exaction of homage—vain the assumption by the Queen of the title of the Empress of India. It is not Ormuzal, but Ahriman, that is the real governing power. It is Manchester that is the real arbiter of the fate of India' (*ibid.*, p. 63).

Indeed, sermonised Bholonath Chandra, the victory of Manchester had a valuable lesson to teach the people of India, for 'it plainly tells, that all combined, India is no match for the cotton spinners and weavers of that city.'[34] Three years later, S.N. Banerjea enquired oratorically: 'If we had a native Government, would such a Government, I put this question to my countrymen, venture upon a thing of this kind in reckless defiance of public opinion and in total forgetfulness of the interests of the people!'[35] The same hard reality that India was not one among equals in the Empire but a conquered nation was pinpointed by the *Mahratta* of 18 September 1881 when it opined that the sacrifice of Indian interests to those of Manchester was the type of 'penalty which every conquered nation must pay to its conquerors without grumbling'. The troubles of India lay, the *Mahratta* seemed to be hinting, not in this or that particular act of the alien Government but in the fundamental political condition of the country.

The assertion that the repeal of cotton duties was 'beneficial to the general interests of India' was reiterated in 1882 by Lord Ripon, who also proclaimed simultaneously that he desired 'to govern India in the interests of India and for the benefit of her people'.[36] Pat came the reply from the *Bengalee* of 11 March 1882: 'It may be all very well to talk of governing India for India's own sake, our rulers cannot forget... that they are Englishmen and that the Government must to some extent at any rate be conducted according to principles which must benefit Englishmen.' And, once again, the *Amrita Bazar Patrika* drew attention, in its issue dated 6 April 1882, to the political enslavement of India and hinted at the remedy: 'She (England) cannot confer this boon (free trade) upon her sisters in Europe. She cannot confer it upon her own colonies. They govern themselves.... But India is a helpless country. Her sons are

34. *Ibid.*, p. 62. Also see, *Sadharani*, 23 March (RNP*Beng.*, 29 March 1879).

35. S. N. Banerjea, *Speeches I*, p. 202.

36. *LCP*, 1882, Vol. XXI, pp. 328-9.

weak and powerless.'[37] Many years later, referring to the removal of cotton duties, R.C. Dutt wrote as follows: 'British administrators in India marked with satisfaction, rather than with jealousy, the growth of the infant cotton industry of Bombay; but in matters of Indian administration they were the servants of the British merchant and the British voter.'[38]

Implied in this criticism was the yearning to free the Government of India of the control of British merchants so that a pro-Indian tariff policy could be adopted. Sometimes, however, as in the case of the *Sahachar* of 22 March 1882, a demand for the transfer to Indian people of the power of controlling the public purse was explicitly put forward.[39] Four years later, the same paper urged the people to struggle for self-government, as had been done by the English colonies (Canada and Australia), if they wanted the import duties to be restored.[40] Similarly, the *Mahratta* of 17 January 1886 wrote in utter despair that 'under the foreign rule of a commercial country we must never expect the reimposition of import duties'.

Voluntary protection through refusal to purchase foreign textiles, or swadeshi, was another way of countering the harmful effects of the abolition of cotton duties on Indian industry which suggested itself at this time to Indian leaders. The great merit of swadeshi was that it might be practised even under conditions of political subjugation. The nationalist attempts at the propagation of swadeshi need not, however, detain us here. They have been discussed at length in Chapter III of this study.

IV. RE-IMPOSITION OF IMPORT DUTIES

At the time of the total abolition of cotton duties in 1882, Lord Ripon expressed the pious hope that this action would 'put an end to those differences of opinion upon the question, which have unhappily now for several years existed between

37. Also see *Sahachar*, 29 March (*RNPBeng.*, 8 Apr. 1882).
38. Dutt, *EHII*, p. 339.
39. *RNPBeng.*, 1 Apr. 1882. Also *Samaya*, 15 March (*ibid.*, 20 March 1886).
40. *Sahachar*, 13 Jan. (*ibid.*, 23 Jan. 1886).

the people of England and the people of India.'[41] But those who claimed to speak for the people of India did not relent; and for many years after—in fact as long as the nationalist movement lasted—repeal of cotton duties remained a favourite target of attack and bitter criticism by the nationalists. After reiterating all the points of criticism examined above, they repeatedly held up the surrender of cotton duties as an example of national injustice, 'a weak betrayal of trust', and an example and a proof of the subordination of Indian interests to those of Britain.[42] Moreover, at the slightest provocation and at every moment of financial distress, they put forward a demand for the reimposition of an import duty on cotton goods in place of other forms of taxation, such as the salt tax and the income tax, or instead of measures of retrenchment of welfare expenditure, such as discontinuation of the Famine Grant and reduction of revenue assignments to the provincial governments.[43]

The tariff-holiday, won after such a prolonged and bitter struggle, was not destined to last for long. The falling exchange rate, the speedier construction of railways, and the mounting military expenditure exerted continuous pressure on the financial resources of the Government of India. Resort to fresh taxa-

41. *LCP*, 1882, Vol. XXI, p. 328.

42. See, for example, *VOI*, 15 Apr. 1884; *Bengalee*, 22 March 1884; S. A. Swaminath Iyer, *Rep. INC for 1885*, p. 69; *Kesari*, 24 Jan., *Bodh Sudhakar*, 25 Jan. (*RNPBom.*, 28 Jan. 1888); Dutt, *EHII*, pp. viii, 120, 339-41, 401-02, 411, 416, 518, 537, *Speeches II*, p. 126.

43. See, for example, Resolutions VI, VI, and III of the INC for 1885, 1887, and 1889 respectively; *Kesari*, 3 Apr. (*RNPBom.*, 7 Apr. 1883); J. U. Yajnik, *Rep. INC for 1885*, p. 66; S.A. Swaminath Iyer, *ibid.*, p. 69; *Bengalee*, 9 Jan. 1886; the newspapers covered by the *RNPBeng.* for 2, 9, 16, 23, 30 Jan., 6 Feb., 18, 25 Sept., 2, 9 Oct. 1886, *RNPBom.* for 18 Sept. 1886; *Tribune*, 18 Sept., *Indian Spectator*, 19 Sept., *Behar Herald* and *Indian Mirror*, 21 Sept., *People's Friend*, 25 Sept., *Dnyan Prakash*, 30 Sept. (*VOI*, Vol. IV, No. 10, Oct. 1886); *Hindujanesamskarini*, No. 3 (*RNPM*, Oct. 1886); Joshi, *op. cit.*, pp. 100-01, 142, 160; Mandlik, *op. cit.*, pp. 651, 659-60; S.N. Banerjea, *Speeches III*, p. 8; Guru Prasad Sen, *Rep. INC for 1887*, p. 132; *Mahratta*, 29 Jan. 1888; *Bengalee*, 28 Jan. 1888; *ABP*, 26 Jan. 1888; papers covered by *VOI* for Feb. and March 1888. *RNPBom.* for 28 Jan., 4 Feb. 1888, *RNPBeng.* for 28 Jan., 4 Feb. 1888, *RNPM* for 31 Jan., 29 Feb. 1888, *RNPPN* for 31 Jan., 7, 14 Feb. 1888; Naoroji in *CPA*, p. 177; *Dnyan Prakash* and *Sudharak* of 19 Feb., *Subodh Patrika*, 18 Feb. (*RNPBom.*, 24 Feb. 1894).

tion failed to bring about the desired financial equilibrium. Matters, ultimately, came to a head in 1894 when the government was confronted with a deficit of 3½ crores of rupees. Desperately looking around for new sources of revenue, it decided to act upon the advice given by the Indian Currency Committee of 1893 that import duties were likely to excite the least opposition in India. And so in March 1894 a new Tariff Act, which imposed a general 5 per cent duty on all imports, was enacted. Cotton fabrics, yarns, and thread were, however, exempted from the scope of the new Act in deference to Lancashire interests and at the bidding of the Secretary of State.[44]

The nationalist reaction to the new imposts is examined in a separate section below. Here we confine ourselves to a discussion of the nationalist reaction to the exclusion of cotton goods from the new tariff schedule. This exclusion produced a storm of protest in the country. In the Legislative Council, the Indian members vigorously opposed the Tariff Bill for perpetrating a great wrong by omitting cotton goods from its purview.[45] Various public bodies expressed their resentment through memorials, petitions, etc., while public meetings were organised in different parts of the country to protest against it.[46]

44. The Government of India appeared to have been quite anxious to include cotton goods in the new tariff schedule but was overruled by Her Majesty's Government. See the Finance Member's speeches on the Indian Tariff Bill of March 1894, *LCP*, 1894, Vol. XXXIII. Also see Vakil, *op. cit.*, p. 426; P. Banerjea, *Fiscal Policy in India*, pp. 89-90.

45. See *LCP*, 1894, Vol. XXXIII, pp. 155 ff.

46. Memorial of the Poona Sarvajanik Sabha, dated 6 March 1894, *JPSS*, Vol. XVI, No. 4 (April 1894); Memorial of the Indian Association, dated 8 March 1894, *Report of the Indian Association from 1892-3 to 1895-6*; Telegram of Protest by the Bombay Presidency Association, 2 March 1894, P.P. (House of Commons), 1895, Vol. 72, No. 202; Presidential Address at the 7th Provincial Conference of Bombay, 2 November 1894, *JPSS*, Vol. XVII, No. 3 (Jan. 1895), pp. 5-6. For the petition adopted at the Poona meeting held on 18 March 1894, see *Mahratta*, 18 March 1894; for the resolution adopted at the Madras meeting held on 20 March 1894, see *Mahratta*, 25 March 1894; for the resolutions adopted at the public meetings at Calcutta on 8 March, Bombay on 14 March, Amritsar on 7 March, and Lucknow on 9 March, 1894, see P.P. (House of Commons), 1895, Vol. 72, No. 202.

And, of course, the press took up cudgels on behalf of cotton duties.[47]

The nationalists maintained that an import duty on cotton goods, especially on goods of finer counts, would have been purely financial in character and not at all protective as there was practically no competition in the Indian market between most of the imported English goods and the products of Indian mills.[48] In any case, most of them believed, there was nothing wrong in a backward country like India levying protective duties to safeguard and promote its industries.[49]

They unhesitatingly branded the omission of cotton goods from import duties as another instance of the sacrifice of India's interests to the interests of Manchester and the ruling party in England. Even the extremely moderate Poona Sarvajanik Sabha was led to remark that 'it will be difficult for the people of India to resist the conclusion that this exemption is a concession to the selfish and ignorant cry of a body of English merchants.'[50] In fact many of the Indian leaders learnt from this episode a valuable lesson in the underlying politics of the alien rule. As the *Advocate* of 30 March 1894 observed, the long and heated debate that preceded the enactment of the Tariff Act threw 'a ghastly light upon the secret springs of British rule in India'.[51] When mildly expressed the conclusion drawn was that the English government in India cared 'more for the home interests than for those of the Indian people'.[52]

47. ABP, 3 March 1894; *Mahratta*, 4 March 1894; *Bengalee*, 10, 17 March 1894; *Indu Prakash*, 12 March 1894; *Indian Spectator*, 11 March 1894; *Advocate*, 9 March (*ISVOI*, 25 March 1894); *Tribune*, 14 March (*ibid.*, 15 March 1894); papers covered by RNPBom. for 10 March, RNPBeng. for 10, 17, 31 March 1894, RNPM for 15, 31 March 1894, RNPN for 14, 21, 28 March 1894, RNPP for 7, 21 Apr. 1894.

48. Memorial of the Poona Sarvajanik Sabha, 1894, *loc. cit.*; Memorial of the Indian Association, 1894, *loc. cit.*; Protest of the Bombay Presidency Association, *loc. cit.*; G.R.M. Chitnavis, *LCP*, 1894, Vol. XXXIII, p. 157; Rash Behari Ghose, *Speeches*, pp. 151-2.

49. Rash Behari Ghose, *Speeches*, p. 150. This aspect of the tariff policy of the nationalists has been examined at length in Chapter XIV below.

50. Memorial of the Poona Sarvajanik Sabha, 1894, *loc. cit.* Also nearly all the Indian leaders cited in f.n.'s 45-7 above.

51. *ISVOI*, 29 Apr. 1894.

52. *Dnyan Prakash*, 5 March (RNPBom., 10 March 1894).

A detailed analysis was made in the Petition adopted at a public meeting held at Poona on 18 March 1894. After remarking that 'a whole policy that was incomprehensible is explained by the omission of the cotton duty from the Tariff', the petitioners observed: 'Now it would appear why the Government would not lift a hand to help India to develop its mineral and manufacturing resources. It is in obedience to a command that emanates from the Lancashire caucus. . . . Instead of a national policy of industrial development suited to India, which the Government studiously shuns, here is a policy of Industrial development suited alone to foreign manufacturers.'[53] A more vigorous expression to this feeling was given by the *Dainik-o-Samachar Chandrika* when it sarcastically advised Her Majesty's Government to declare in plain language that 'India is nothing more or less than a field to be looted by England.'[54] The *Bangabasi* summed up and ventilated the nationalist point of view with its usual forthrightness in an article entitled 'The Mask has Fallen Off', published in its issue dated 17 March 1894:

> Be that as it may, as regards this question of the cotton duties, the mask has now fallen off the foreign English administration of India. The highest officials in the country, nay the entire official body and the leading newspapers in England, have had to make the humiliating confession—'The boast in which we have been so long indulging, the boast that we govern India in the interest and for the welfare of the Indians, is perfectly unfounded; India is held and governed in the interests of the English merchants.'[55]

53. In an undertone and in the indirect manner of making a political thrust that were so often resorted to by many of the nationalist leaders the petitioners went even further in drawing a political moral when they warned the rulers that this step might 'strike a blow at the now complete loyalty of her Majesty's Indian subjects from which it may never recover' (see *Mahratta*, 18 March 1894).

54. 11 March (*RNPBeng.*, 17 March 1894).

55. *RNPBeng.*, 31 March 1894. Similarly, *The Bengalee* of 17 March 1894 declared that 'the faith of the people in the justice of England has been shaken.'

Interestingly enough, as a counterpoise to the official policy, the *Hindu Punch* of 22 March and the *Arunodaya* of 18 March 1894 urged the people of India to defeat the purpose of their rulers in excluding cotton goods from the new tariff by resolutely resolving not to buy foreign cotton products.[56]

V. TARIFF AND COTTON DUTIES ACTS OF 1894 AND 1896

So strong was the outcry in India against the exemption of cotton goods from import duties that Lord Elgin felt it necessary to appease the critics by hinting that it was not necessarily the final arrangement.[57] And, in fact, this arrangement did prove to be transitory. Once again, the financial needs of the Government of India forced it to enact a fresh Act in December 1894, subjecting cotton fabrics and yarns to an import duty of 5 per cent. At the same time, however, a countervailing excise duty of 5 per cent was imposed upon yarns of the counts 20's or above produced in Indian power mills. This excise duty —'an impost without parallel in the economic history of any country'—was imposed not for the sake of revenue but in order to remove any element of protection that the new import duties might give to the Indian textile industry *vis-a-vis* its Lancashire counterpart.[58] As a matter of fact, prior to this, the Government of India itself was not convinced of the wisdom of this step. For as early as 1878, Sir John Strachey had rejected excise duties for being 'costly, vexatious, and inconvenient' and 'in most cases impracticable in India'.[59] Even in 1894, the Finance Member, James Westland, had pointed out in a despatch to the Secretary of State that 'of the manufactures of India, quite 94 per cent is absolutely outside the range of any competition with Manchester being the coarser quality of goods (24s. and above) which Manchester cannot pretend to supply so cheaply as India'; and advised that if a countervail-

56. *RNPBom.*, 24 March 1894.
57. *LCP*, 1894, Vol. XXXIII, p. 46.
58. Westland, *ibid.*, pp. 382, 384.
59. *Financial Statement*, 1878, para 55.

ing excise duty was imposed it should be levied only on cotton yarns of counts above 24.[60] But it was the Secretary of State who finally insisted on the application of the excise duty to counts above 20, thus bringing 20 per cent of the yarn produced in Indian mills within the purview of this duty.[61] This was frankly admitted by James Westland in his speech on the Cotton Duties Bill, when he apologetically conceded that the Government of India did not recommend the measure on its own merits but rather on account of the direction received from the Secretary of State.[62]

As was to be expected, the Indian nationalists welcomed the reimposition of import duties on cotton products as signifying the acceptance of the popular will.[63] 'In this instance', acknowledged D. E. Wacha, 'the Government of India has really voiced the needs of the people and nobly advocated their true interests.'[64] Such appreciation was not general and there was criticism of the paltriness of the import duty. For example, while supporting the government for its action, the *Mahratta* of 16 December 1894 remarked that it had done so only when no option was left to it in the matter and bankruptcy stared it in the face. Moreover, it felt, the duty should have been higher still, say 10 or 15 per cent. In contrast, the Indian national leaders unequivocally denounced the levy of

60. Quoted in Vakil, *op. cit.*, pp. 427-9. Also see Westland, *LCP*, 1894, Vol. XXXIII, pp. 383-4.

61. Vakil, *op. cit.*, pp. 427, 429; Hamilton, *op. cit.*, pp. 248-51.

62. *LCP*, 1894, Vol. XXXIII, pp. 381-2.

63. *Mahratta*, 16 Dec. 1894; *Indian Spectator*, 23 Dec. 1894; *Indu Prakash*, 24 Dec. 1894; *ABP*, 22 Dec. 1894; *Bengalee*, 22 Dec. 1894; *Hindu*, 27 Dec. 1894; *Kaiser-i-Hind*, 16 Dec., *Subodh Prakash*, 19 Dec., *Subodh Patrika*, 16 Dec., *Deshi Mitra*, 20 Dec. (*RNPBom.*, 22 Dec. 1894); *Swadesamitran*, 21 Dec. 1894, *Khasim-ul-Akhbar*, 24 Dec. 1894, and other Indian newspapers (*RNPM*, 15 Jan. 1895); *Madras Standard*, 24 Dec. 1894 (*ISVOI*, 13 Jan. 1895); *Hindustani*, 26 Dec. 1894 (*RNPN*, 2 Jan. 1895); S. N. Banerjea in *CPA*, pp. 259-61; Joshi, *op. cit.*, pp. 191-2. Only one major nationalist newspaper, viz., the *Advocate*, objected to the import duty on cotton goods on the grounds that it would increase the price of such goods and would lead to the imposition of excise duty. It advocated, instead, the formation of an alliance with the Manchester Radicals. 28 Dec. 1894 (*ISVOI*, 20 Jan. 1895).

64. Wacha, *Rep. INC for 1894*, p. 31.

cotton excise duties, which were branded as unjust, impolitic, and opposed to the interests of the Indian people.[65]

The British manufacturers were, however, not fully satisfied by the fiscal arrangement of 1894. They contended that the exemption of yarns below the count of 20's from the excise duty was providing protection to the Indian textile industry, because 'Lancashire could and did compete in the production of coarse goods', and because an excise duty upon yarn was lighter in practice than an equivalent import duty upon the finished product, and also because Indian exports to Burma were, in any case, unduly favoured.[66] Ultimately, in February 1896, the Government of India bowed before their pressure, exercised through the Secretary of State, and enacted two fresh pieces of legislation, which abolished the import duties as well as the excise duties on cotton yarns and, at the same time, reduced the import duty on woven goods from 5 per cent to 3½ per cent and simultaneously imposed a corresponding excise duty of 3½ per cent on all woven goods produced by Indian mills. The new measures resulted in a remission of taxation amounting to Rs. 51½ lakhs or 37 per cent on imported goods and an increase of 11 lakhs or 300 per cent in taxation on Indian goods.[67]

This act of taxing even coarse Indian cloth to remove the will-o'-the-wisp of protection had the most explosive effect on Indian public opinion. It lashed out in white fury against this

65. *Resol. I of the INC for 1894*; Wacha, *Rep. INC for 1894*, pp. 31-2; *Mahratta*, 16 Dec. 1894; *ABP*, 22, 29 Dec. 1894; *Bengalee*, 22 Dec. 1894; *Hindu*, 27 Dec. 1894; *Indian Spectator*, 23 Dec. 1894; *Indu Prakash*, 24, 31 Dec. 1894; papers covered by *RNPBom.* for 22 Dec. 1894, 5 Jan. 1895, *RNP Beng.* for 22, 29 Dec. 1894, 5, 12 Jan. 1895, *RNPM* for 15 Jan. 1895, *RNPN* for 9, 16, 23 Jan. 1895, *RNPP* for 12 Jan., 9 Feb. 1895. It should also be pointed out in passing that many Indian newspapers had protested against an excise duty earlier also when the possibility of its imposition was being discussed. See, for instance, *Indian Spectator*, 1 July 1894; *Hindu*, 11 July 1894; *Gujarati*, 1 July, *Sudharak*, 2 July (*RNPBom.*, 7 July 1894); *Kesari*, 24 July (*ibid.*, 28 July 1894); *Tribune*, 18 July, *Advocate*, 20 July (*ISVOI*, 26 Aug. 1894).

66. Hamilton, *op. cit.*, pp. 252-3; Dutt, *EHII*, pp. 539-40; Vakil, *op. cit.*, pp. 430-2.

67. Vakil, *op. cit.*, p. 433.

'sacrifice' of the interests of Indian industry and Indian people.[68] For example, in its issue dated 9 February 1896, the *Mahratta* thundered: 'Never before since the Government of this country was transferred from the East India Company to the Queen-Empress was perpetrated an act of injustice as flagrant as the readjustment of the cotton duties in favour of Lancashire.' Similarly, the *Samaya* of 31 January 1896 wrote bitingly: 'It shows how Englishmen are blinded by selfishness; how in their anxiety to protect the interests of their own countrymen, they do not even hesitate to injure the interests of others—to draw the knife, so to speak, across other people's throats.'[69]

The cotton excise duty continued to excite the nationalists for many a year to come. Thus, in 1902, the Indian National Congress passed a strongly worded resolution condemning the excise duty and asking for its repeal. The request was repeated in 1904.[70] Moving the resolution in 1902, D. E. Wacha declared that, until this was done, the Congress would 'agitate and agitate for the repeal of this iniquitous duty'.[71] R. C. Dutt discussed it at length in his written works and innumerable speeches. 'As an instance of fiscal injustice,' he remarked, 'the Indian Act of 1896 is unexampled in modern times'; and

68. *Mahratta*, 26 Jan., 9 Feb. 1896; *ABP*, 29 Jan. 1896; *Bengalee*, 1, 8 Feb. 1896; *Hindu*, 27 Jan. 1896; *Indian Spectator*, 26 Jan. 1896; *Madras Standard*, 27 Jan., *Indian Nation*, 27 Jan. (*ISVOI*, 15 March 1896); *Advocate*, 28 Jan., *Tribune*, 29 Jan., *Indian Mirror*, 30 Jan. (*ibid.*, 22 March 1896); *Behar Herald*, 8 Feb. (*ibid.*, 5 Apr. 1896); papers covered by *RNPBom.* for 25 Jan., 1 Feb. 1896, *RNPBeng.* for 1, 8, 15 Feb. 1896, *RNPM* for 15, 29 Feb. 1896, *RNPN* for 5, 12, 19 Feb. 1896, *RNPP* for 8, 15, 22 Feb. 1896; telegram from the Bombay Presidency Association, dated 27 Jan. 1896, *Papers Relating to the Indian Tariff Act, 1896, and the Cotton Duties Act, 1896*, C 8078 of 1896 (House of Commons), p. 163; Resolutions passed at a public meeting of citizens of Bombay, 28 Jan. 1896, *ibid.*, p. 166; telegram from chairman of the Poona Sarvajanik Sabha, dated 29 Jan. 1896, *ibid.*, p. 171; Protest by a public meeting held at Madras, 2 Feb. 1896, *ibid.*, p. 192; Protest by a public meeting held at Borsad, Dist. Kaira, Bombay, 7 Feb. 1896, *ibid.*, p. 193. In the Legislative Council, B. R. Bhuskute, P. Ananda Charlu, and Mohini Mohan Roy spoke against the proposals of the Government (*LCP*, 1896, Vol. XXXV, pp. 66-7, 78-87, 92-5).

69. *RNPBeng.*, 8 Feb. 1896.

70. Resol. XVI and Resol. VIII respectively.

71. *Rep. INC for 1902*, p. 143.

added: 'Most civilised Governments protect their home industries by prohibitive duties on foreign goods. The most thorough of Free Trade Governments do not excise home manufactures when imposing a moderate customs duty on imported goods for the purposes of revenue.'[72] G. K. Ghokhale repeatedly voiced in his speeches before the Legislative Council the resentment felt by the Indian nationalists against the excise duty.[73] From the Congress Presidential Chair, N. G. Chandavarkar and Surendranath Banerjea raised the demand for abolition of the excise duty.[74] And, of course, the newspapers kept the issue alive in their columns.[75]

The nationalist attack on the fiscal changes of 1894-6 was based on the following grounds:

The Indian leaders were convinced that the cotton excise duties were likely to arrest and retard India's industrial development.[76] They were, in particular, afraid that the excise duty

72. Dutt, *EHII*, p. 543. Also *ibid.*, pp. 597, 612; *Speeches II*, pp. 45-6, 80, 126-7.

73. Gokhale, *Speeches*, pp. 10, 41-2, and 77. He echoed R. C. Dutt when in his budget speech of 1903 he asserted: 'In no other country would such a phenomenon of the Government taxing an internal industry—even when it was bordering on a state of collapse—for the benefit of a foreign competitor be possible' (*ibid.*, p. 42). Also see Sri Ram, *LCP*, 1903, Vol. XLII, pp. 104-05.

74. *CPA*, pp. 527 and 696 respectively.

75. For example, *Mahratta*, 10 May 1896, *Native Opinion*, 1 Apr., *Kesari*, 31 March (*RNPBom.*, 4 Apr. 1903); *Indian People*, 19 Jan. 1905.

76. Resol. I of INC for 1894; *Hindu*, 11 July 1894; *Tribune*, 18 July (*ISVOI*, 26 Aug., 1894); Wacha, *Rep. INC for 1894*, p. 32; *Mahratta*, 16 Dec. 1894; *ABP*, 29 Dec. 1894; *Indu Prakash*, 24 Dec. 1894; *Bangabasi*, 22 Dec., *Sanjivani*, 22 Dec., *Dainik-o-Samachar Chandrika*, 24 Dec. (*RNPBeng.*, 29 Dec. 1894); *Madras Standard*, 24 Dec. 1894, *Tribune*, 26 Dec. 1894 (*ISVOI*, 13 Jan. 1895); *Dnyan Prakash*, 27 Dec. 1894, *Behar Herald*, 29 Dec. 1894, *Indian Mirror*, 30 Dec. 1894 (*ibid.*, 20 Jan. 1895); *Hindustan*, 4 Jan. (*RNPN*, 9 Jan. 1895); *Rahbar*, 8 Jan. (*ibid.*, 16 Jan. 1895); *Paisa Akhbar*, 26 Jan. (*RNPP*, 9 Feb. 1895); P. A. Charlu, *LCP*, 1896, Vol. XXXV, pp. 83-4; Joshi, *op. cit.*, p. 191 fn.; *Advocate*, 28 Jan. (*ISVOI*, 22 March 1896); *Samaya*, 31 Jan., *Bangabasi*, 1 Feb. (*RNPBeng.*, 8 Feb. 1896); *Karnatak Prakasika*, 3 Feb., *Kerala Patrika*, 8 Feb., *Qasim-ul-Akhbar*, 3 Feb. (*RNPM*, 15 Feb. 1896). A few years later, R. C. Dutt affirmed that as a result of the excise duty the Indian textile industry had been 'checked in the closing years of the century' (*EHII*, p. 544). See also *ibid.*, p. ix, and his *Speeches II*, pp. 46, 80, 127. A similar opinion was expressed by Gokhale in 1904. See *Speeches*, p. 77. See also Sri Ram, *LCP*, 1903, Vol. XLII, pp. 104-05; and *Indian People*, 19 January 1905.

would prevent the Indian textile industry from turning to the spinning of finer counts of yarn which was the main direction in which further expansion of this industry could take place.[77] Moreover, some of them entertained the apprehension that the duty would give a rude shock to textile exports of India and thereby enable its Asian rivals, for example Japan, to outcompete its products.[78] This fear was, in fact, baseless as both the Excise Duty Acts of 1894 and 1896 provided for full rebate of the duty on products intended for export. Perhaps these leaders misunderstood the clauses of the Acts concerned or they held to the belief that a general weakening of the industry's productive capacity and profit structure would indirectly affect its ability to compete with its rivals abroad.

The Indian leaders further attacked the Cotton Excise Duty Act of 1896 on the plea that it would hit hard the poorer sections of the people, who bought coarse cloth that had now been taxed.[79] As a matter of fact, pointed out some of them, the new impost, combined with the reduction of 1½ per cent in the import duty on foreign cloth, used mainly by the richer strata of the Indian population, virtually amounted to taxing the poor to relieve the rich.[80] 'Where is the Government's

77. Wacha, *Rep. INC* for 1894, p. 32; *ABP*, 29 Dec. 1894; *Bangabasi*, 22 Dec. (*RNPBeng.*, 29 Dec. 1894); *Dnyan Prakash*, 27 Dec. 1894, *Behar Herald*, 29 Dec. 1894 (*ISVOI*, 20 Jan. 1895).

78. *Hindu*, 11 July 1894; *Tribune*, 18 July (*ISVOI*, 26 Aug. 1894); Wacha, *Rep. INC* for 1894, p. 32, *Speeches*, p. 432; A. S. Moodaliar, *ibid.*, p. 33; *Paisa Akhbar*, 26 Jan. (*RNPP*, 9 Feb. 1895); V. N. Apte, *Rep. INC* for 1895, p. 160; *Charu Mihir*, 3 Feb. (*RNPBeng.*, 15 Feb. 1896); Dutt, *Speeches II*, pp. 46, 80; S. N. Banerjea, *CPA*, p. 694.

79. *Mahratta*, 26 Jan. 1896; *Hindu*, 27 Jan. 1896; *Indian Spectator*, 26 Jan. 1896; *Bengalee*, 1 Feb. 1896; *Indian Nation*, 27 Jan., *Advocate*, 28 Jan., *Indian Mirror*, 30 Jan. (*ISVOI*, 22 March 1896); *Behar Herald*, 8 Feb. (*ibid.*, 5 Apr. 1896); almost all the papers of Bombay for the week ending 1 Feb., *RNPBom.*, 1 Feb. 1896; *Samaya*, 31 Jan., *Sanjivani*, 1 Feb. (*RNPBeng.*, 8 Feb. 1896); *Karnatak Prakasika*, 3 Feb., and *Kerala Patrika*, 1 Feb. (*RNPM*, 15 Feb. 1896); *Hindustani*, 29 Jan. (*RNPN*, 5 Feb. 1896); telegram from the Chairman, Poona Sarvajanik Sabha, *P.P.* (*H. of C*) C8078 of 1896, p. 171; Protest by a Public Meeting held at Borsad, Dist. Kaira, Bombay, *ibid.*, p. 193; P. A. Charlu, *LCP*, 1896, Vol. XXXV, p. 86; Resol. XVI of INC for 1902; Gokhale, *Speeches*, pp. 10, 77.

80. *Bengalee*, 8 Feb. 1896; *Samaya*, 31 Jan., *Sanjivani*, 1 Feb., *Darsak*, 2 Feb. (*RNPBeng.*, 8 Feb. 1896); *Arya Jana Priyan*, 1 Feb. (*RNPM*, 15 Feb.

much vaunted sympathy for the poor masses?' asked the *Bengalee* of 8 February 1896.

They next argued that, apart from its harmful effects on industry and the economic well-being of the people, the excise duty was unnecessary even from the point of view of the purposes for which it had allegedly been brought forth and was, therefore, unjust. First of all, they observed that financial productivity was obviously not one of the reasons for its imposition since the receipts from it would barely equal the cost of its collection and would in no case be substantial.[81] In 1902 D. E. Wacha made an interesting point in this respect: while the sum of Rs. 17 lakhs, which represented the excise collection at the time, was paltry as revenue, it affected the profits of millowners disastrously, as it constituted 50 per cent of those profits. As a corollary to the above statement, Wacha also denied that millowners were recouping, or could recoup, the duty from the consumers.[82] Interestingly enough, by making this contention, Wacha also refuted the assumption, which was implicit in the earlier nationalist argument that the poor would suffer from the imposition of the excise duty, that the

1896); telegram from the President, Bombay Presidency Association, P.P. (H. of C.), 1896, C8078, p. 163; Resolution passed at public meeting, Bombay, *ibid.*, p. 166.

81. Wacha, *Rep. INC for 1894*, p. 31; *Mahratta*, 16 Dec. 1894; *Dainik-o-Samachar Chandrika*, 19 Dec. (RNPBeng., 22 Dec. 1894); *Sanjivani*, 22 Dec. (*ibid.*, 29 Dec. 1894); *Bangabasi*, 29 Dec. 1894 (*ibid.*, 5 Jan. 1895); *Tribune*, 26 Dec. 1894 (ISVOI, 13 Jan. 1895); *Dnyan Prakash*, 27 Dec. 1804, *Behar Herald*, 29 Dec. 1894, *Indian Mirror*, 30 Dec. 1894 (*ibid.*, 20 Jan. 1895). This point was not stressed over-much as the Finance Member had himself stated in the Legislative Council: 'We do not propose the present measure for the sake of the revenue we intend to derive from it' (*LCP*, 1894, Vol. XXXIII, p. 384). Moreover, the point appeared to the Indian leaders to be self-evident. In reply to the Finance Member's remark in 1904 that the excise duty did bring in a revenue of nearly Rs. 20¼ lakhs, Gokhale contemptuously retorted: 'If my Hon'ble friend really believes that the excise duty is maintained because it brings in a revenue which the Government cannot afford to give up, he is probably the only man in India or in England who thinks so' (*Speeches*, p. 78). Also Sri Ram, *LCP*, 1903, Vol. XLII, pp. 104-5.

82. Wacha, *Rep. INC for 1902*, pp. 142-3.

burden of the duty was passed on to the consumers.[83] Secondly, the Indian leaders rejected the plea that the excise duty was required to neutralise the protective character of the import duties and thus maintain free trade between India and Britain. They asserted, as before, that the import duties did not, for all practical purposes, provide any protection to local industry because the field for competition in the Indian market between the cotton products of India and Britain was extremely narrow; Britain exported to India very little of coarse goods while India did not produce in any appreciable quantity the finer grey goods which formed the bulk of British exports to India.[84] In line with this argument, many Indians demanded in 1894 that if excise duty had to be imposed at all it should begin with yarns of counts 24's and above rather than with yarns of 20's and above.[85] An amendment to this effect was moved by Fuzalbhai Vishram in the Legislative Council; and it secured the support of all the 7 Indian members present.[86] Later, when the British manufacturers started clamouring for further concessions on the ground that exemption of Indian yarns below 20's militated against free trade, the Indian leaders vehemently denied their contention.[87] Some of them even suggested that

83. This assumption was explicitly voiced by Gokhale in 1904 when he asserted that 'there is now no doubt that this duty is really paid by the consumers, which means by the bulk of our poorer classes' (*Speeches*, p. 77). Earlier in 1902, he had been somewhat more cautious when he stated that 'a portion of the burden eventually falls' on the poor (*ibid.*, p. 10).

84. *Hindu*, 11 July 1894; *Tribune*, 18 July (*ISVOI*, 26 Aug. 1894); Wacha, *Rep. INC for 1894*, p. 32; *Indu Prakash*, 31 Dec. 1894; *Tribune*, 26 Dec. 1894 (*ISVOI*, 13 Jan. 1895); *Dnyan Prakash*, 27 Dec. 1894, *Behar Herald*, 29 Dec. 1894, *Indian Mirror*, 30 Dec. 1894 (*ibid.*, 20 Jan. 1895); Wacha, *Speeches*, p. 430, and *Rep. INC for 1895*, pp. 157-8; Dutt, *EHII*, p. 540; Gokhale, *Speeches*, pp. 41-2.

85. *Resol. I of INC for 1894*; A. S. Moodaliar, *Rep. INC for 1894*, p. 33; *Mahratta*, 16 Dec. 1894; *Indian Spectator*, 30 Dec. 1894; *Hitavadi*, 28 Dec. 1894 (*RNPBeng.*, 5 Jan. 1895); *Kaiser-e-Hind*, 30 Dec. 1894 (*RNPBom.*, 5 Jan. 1895); *Taj-ul-Akhbar*, 5 Jan. (*RNPP*, 12 Jan. 1895); *Paisa Akhbar*, 26 Jan. (*ibid.*, 9 Feb., 1895).

86. *LCP*, 1894, Vol. XXXIII,pp.402-3, 420 ff., 450.

87. *Resol. XXI of INC for 1895*; S. N. Banerjea in *CPA*, pp. 259-61; Wacha, *Rep. INC for 1895*, pp. 157-8; P. A. Charlu, *LCP*, 1896, Vol. XXXV, pp. 80, 82.

if the Government of India wanted to pacify the British manufacturers it should, instead of extending the excise duty further, exempt English yarns up to 20's from import duty.[88]

The vehemence of their resentment against, and their denunciation of, the excise duty did not, however, spring chiefly from their analysis of its evil consequences or its uselessness; it arose from their understanding of the basic causes which had led to the imposition of the excise duty; it emanated from their belief that the duty was no mistaken, misplaced, or misconceived measure,[89] and that, on the contrary, the conscious objective of its proponents was to injure the rising textile industry of India so as to placate the 'philistines of Manchester', who hoped thus to check the growth of a rival. This was put quite bluntly by the Indian National Congress at its 1894 session, when it put 'on record its firm conviction that in proposing this excise, the interests of India have been sacrificed to those of Lancashire.'[90] The *Bengalee* of 8 February 1896 remarked sarcastically: 'The masses of India cannot keep the Home Government in power; Manchester can and may.... Power first, duty next!'

Delving even deeper, some of the Indian leaders came to the conclusion that underlying the excise duty were the principle and the policy of subordinating India's industrial development to the needs and commands of British industry. Giving vigor-

88. Wacha, *Rep. INC* for 1895, p. 158; S. N. Banerjea in CPA, p. 259; P. A. Charlu, *loc. cit.*, p. 80.

89. For example, the *Dainik-o-Samachar Chandrika* of 5 Feb. 1896 wrote: 'Some of our contemporaries are sanguine enough to believe, that this protest... will bear fruit in future—that it will bring the Home Government to its senses. It is, however, a mistake to think that the Home Government has no sense. Liberal or Conservative, the British Ministry has sense enough and to spare. It is aware that it is doing great injustice to India in order to keep Lancashire in humour. But what can it do?... Liberal or Conservative, no party can do without the Lancashire votes' (*RNPBeng.*, 9 Feb. 1896).

90. Resol. I. Also Wacha, *Rep. INC* for 1894, pp. 31-3; P. A. Charlu, *LCP*, 1896, Vol. XXXV, p. 81; Malaviya, *Speeches*, pp. 37-8; Joshi, *op. cit.*, p. 192; Gokhale, *Speeches*, pp. 5, 41; S. N. Banerjea in CPA, p. 694; Dutt, *EHII*, pp. ix, 531, 534, *Speeches II*, p. 126; nearly all the newspapers cited in f.n.'s 65 and 68 above.

ous expression to this feeling, Pherozeshah Mehta declared in the Council Chamber: 'That principle and that policy are that the infant industries of India should be strangled in their birth if there is the remotest suspicion of their competing with English manufactures.'[91] Even N. G. Chandavarkar, perhaps the most moderate of the Indian publicmen of the time, was constrained to remark in his Congress Presidential Address of 1900 that 'under the present policy no Indian industry will be allowed to outgrow European competition.'[92] The *Khasim-ul-Akhbar* of 24 December 1894 remarked that hitherto the English had pretended to aid the development of Indian industries, but this fact now showed that their real intention was to check them.[93] The *Mahratta*, in its issue dated 17 March 1895, made an even more penetrating remark regarding the basic economic policy of Britain in India. This single episode revealed, it wrote, 'that the manufacturer of England wants that India should remain agricultural, or that we should always remain producers and England should continue to be the manufacturer.'

VI. POLITICAL IMPACT

On the basis of their study of the questions of tariff and excise duty, many of the thoughtful Indian leaders made even broader generalisations challenging the beneficient character,

91. P. Mehta, *Speeches*, p. 390. Similarly, the *Banganivasi* of 9 Feb. 1896 wrote: 'The people of India have now come to understand that they will never be allowed by the Government to successfully carry on an industry in which Englishmen have an interest, and in which their interest is likely to clash with that of the Indian people' (*RNPBeng.*, 15 Feb. 1896).

92. In *CPA*, p. 527.

93. *RNPM*, 15 Jan. 1895. Similarly, the *Arunodaya* of 30 Dec. 1894 believed that the passing of the Cotton Excise Duty Act 'proves beyond doubt that Government do not wish the Indian mills to rise and prosper' (*RNP-Bom.*, 5 Jan. 1895). In fact, the Reporter of the Native Press for Bombay wrote that several other Indian papers of the week had 'expressed their disapproval of the passing of the Excise Bill, in language indicative of much soreness of heart and disappointment at the attitude of Government towards the interests of industrial pursuits in India' (*ibid*).

and, indeed, the very aims and purposes of the British rule in India. In fact the great historical importance that this tariff episode occupies in the history of Indian national movement lies chiefly in this aspect of the problem. Moreover, the significant role that the cotton excise duty and the different tariff amendments played in the growth of national sentiment in India centred around precisely this questioning of the moral basis of the alien rule, or, in other words, of the foundations of this rule in the minds of men and their leaders in India.[94]

The main theme of the moral drawn by a large number of Indians from this tale of tariff and excise duties during 1894 and 1896 was that India was ruled not in the interests of the people of India but for the benefit of British people in general, and British merchants and manufacturers in particular, and that in case of any clash between the interests of India and the interests of Britain, the former were bound to go to the wall.[95]

94. For example, the *Darsak* of 2 Feb. 1896 warned the government 'that their persistence, in following this misguided policy, is shaking the confidence of the Indian people in the justice and integrity of the British rule.' Earlier in 1894, Rash Behari Ghose had cautioned the rulers that, as a result of their jugglings with the tariff, 'the fair fame of England for just dealing, which cannot be too jealously guarded, is at stake. The spell which she has so long exercised over her subjects, a spell more potent than the bayonet or the sword, which holds in loyal submission her vast empire, is in danger of being broken' (*Speeches*, pp. 152-3). It were not only Indians who sounded the alarm. General G. Chesney had equally emphatically prophesied in late 1894 that 'unless the steps taken lately are retracted, an injury will be done to the good faith and character of the British Government of India, which may and probably will lead to far reaching consequences' (*op. cit.*, p. 347). See also p. 390. Similarly, Sir A. Arbuthnot, one of the 6 members of the India Council who opposed the exemption of cotton goods from import duty in 1894, had warned in a minute of dissent that 'if there is one thing certain in connection with the very complicated machine which is called the British Empire, it is that there is an essential solidarity between the interests of India and the interests of Great Britain, and that no measure which furnishes ground for discontent on the part of Her Majesty's Indian subjects or which may tend to impair their confidence in the justice of British rule, can be regarded as compatible with the welfare of the Empire' (quoted in Vakil, *op. cit.*, p. 427).

95. Apart from the writers quoted in the text, see *Swadesamitran*, 21 Dec. 1894, *Karnatik Prakasika*, 14 Jan. 1895 (RNPM, 15 Jan. 1895); *Sanjivani*, 22 Dec. (RNP*Beng.*, 29 Dec. 1894); *Bengalee*, 22 Dec. 1894; RNPN, 23 Jan. 1895; *Taj-ul-Akhbar*, 5 Jan. (RNPP, 12 Jan. 1895); *Indian Spectator*, 26 Jan. 1896; *Samaya*, 31 Jan., *Darsak*, 2 Feb., *Sanjivani*, 1 Feb. (RNP*Beng.*, 8 Feb.

This feeling was expressed most pungently by Tilak in *Kesari*, dated 28 January 1896: 'Surely India is treated as a vast pasture reserved solely for the Europeans to feed upon.'[96] Similarly, the *Amrita Bazar Patrika* of 29 January 1896 pithily remarked that it was obvious that India was 'an English property'. Many other Indians expressed themselves with equal clarity though with less of anger. The entire nationalist thought on the question was summarised by P. Ananda Charlu, an ex-President of the Indian National Congress, in his speech on the Cotton Duties Bill in the Legislative Council in 1896. 'While India is safe-guarded against foreign inroads by the strong arm of the British Power,' he observed, 'she is defenceless in matters where the English and Indian interests clash and where (as a Tamil saying puts it) the very fence begins to feed on the crop.'[97]

In this manner did a vast section of the Indian leadership lose its faith in the moral purpose of the British rule in India and in the loudly professed benevolent motives of the foreign rulers. It is, however, remarkable—though entirely in keeping with the temper of the nationalist movement at the time—that even this realisation did not lead to any positive intensification of political demands and that the vast majority of the Indian leaders failed to exploit the opportunity. Nonetheless, a few of them did try to utilise it for pushing forward their pet demands for political reform most of which were, however, extremely moderate, especially when contrasted with the political and economic perception from which they issued. The lead in this

1896); nearly all the papers of Bombay, in particular *Native Opinion*, 26 Jan., *Indu Prakash*, 27 Jan., and *Gujarati*, 26 Jan. (RNPBom., 1 Feb. 1896); *Swadesamitran*, 11 Feb. (RNPM, 29 Feb. 1896); *Bengalee*, 8 Feb. 1896; Wacha, *Speeches*, p. 431; Dutt, *Speeches II*, p. 127; Memorandum of the Bombay Presidency Association, P.P. (H. of C.), 1896, C8078, p. 163. Also *ibid.*, p. 193.

96. RNPBom., 1 Feb. 1896. Two weeks later, the *Kesari* of 11 Feb. 1896 again wrote: 'By passing the iniquitous Cotton Duties Act on Monday before last, the Government of India have made it plain to the whole world that they rule India, not in the interests of the people of the land, but in those of a few English merchants' (*ibid.*, 15 Feb. 1896).

97. *LCP*, 1896, Vol. XXXV, p. 85.

respect was taken by Madan Mohan Malaviya in his speech on the reform of the legislative councils at the 1894 session of the Indian National Congress. Malaviya noted that the reformed legislative councils had failed to protect the interests of the people of India, that the official members of the Imperial Legislative Council had not been able to vote on the Indian Tariff Bill of 1894 according to their own inclinations, and that the Council had been used merely to register the fiat of the Secretary of State. He concluded, therefore, that the reformed legislative councils were nothing 'but shams, so far as the real and true interests of the people are concerned'.[98] Taking cognisance of the fact that the non-official members had generally supported the Indian case, he demanded that the number of non-official members should be increased and the councils themselves should be 'armed with greater and more substantial powers to protect the interests of the people of this country'.[99] Going even further, the *Mahratta* of 16 December 1894 demanded that the majority of the members of the Imperial Legislative Council should be elected and the Imperial budget submitted to the vote of the Council. Many others drew the conclusion that the Government of India was no longer capable of protecting the interests of India.[100] Some even asked the government to openly abdicate in favour of the Secretary of State, or at least to do away with the legislative councils, so that he might publicly wield the naked power that he exercised surreptitiously at the moment.[101]

98. Malaviya, *Speeches*, pp. 34-5. Also *Kesari*, 11 Feb. (RNPBom., 15 Feb. 1896); *Dainik-o-Samachar Chandrika*, 5 Feb. (RNPBeng., 8 Feb. 1896); Dutt, *EHII*, pp. 542-3.

99. Malaviya, *Speeches*, pp. 37-8.

100. *Ibid.*, p. 36; and Wacha, *Rep. INC for 1894*, p. 33. The *Dainik-o-Samachar Chandrika* of 5 Feb. 1896 declared that 'The British Ministry is a slave of Lancashire, and the government here is a slave of the British Ministry' (RNPBeng., 8 Feb. 1896). The *Arunodaya* of 30 Dec. 1894 had earlier proclaimed that 'The manufacturers of Manchester are our real rulers and the word of the Seeretary of State for India is our law' (RNPBom., 5 Jan. 1895). This latter sentiment was echoed by *Bharat Jiwan*, 10 Feb. (RNPN, 12 Feb. 1896), *Akhbar-i-Am*, 14 Feb. (RNPP, 22 Feb. 1896), and *Swadesamitran*, 11 Feb. (RNPM, 29 Feb. 1896).

101. Wacha, *Rep. INC for 1894*, p. 33. *Indu Prakash*, 31 Dec. 1894, and *Subodh Patrika*, 30 Dec. 1894 (RNPBom., 5 Jan. 1895).

In a few, though very rare, instances the case even for self-government was put forward; the revolutionary idea that India could get fiscal justice or follow a policy of industrialisation only if it could get rid of British political control and become a self-governing country was expressed. This opinion was openly advanced by the *Banganivasi* of 9 February 1896: 'England is pre-eminently a manufacturing and commercial country, and India must put up with her tyranny in commerce and manufacture so long as the English people will lord it over her children.'[102] R. C. Dutt skirted very close to this view when he wrote in 1898 with reference to the excise duty and tariff concession of 1896 that

> unless the people of India are allowed the constitutional right to stand by the Government, and to defend their national revenues and their national interests, the humiliating sight will be witnessed again and again of the British Government in India knowingly and openly sacrificing the interests of the people of India under the mandate of British voters at home.[103]

The excise duty excited even Gokhale to remark that it illustrated 'what John Stuart Mill has said about the Government of the people of one country by the people of another.'[104]

But the struggle for political emancipation of the country was still in the womb of time. What was on the agenda was the arousal of national feeling, consolidation of this feeling, and the training of Indian people in political agitation and struggle. The first of these tasks was, as we have seen earlier, performed with vigour, insight, and success. The second was accomplished by the very sweep of the nationalist feeling aroused on this issue

102. *RNPBeng.*, 15 Feb. 1896.

103. Dutt in *Indian Politics*, p. 53. Similarly, the *Karnataka Prakasika* of 3 Feb. 1896 expressed the opinion that 'what is wanted is that India should be governed in India and by India. The people must try to get the Councils still more enlarged and make them represent the voice of the country' (*RNPM*, 15 Feb. 1896).

104. Gokhale, *Speeches*, p. 41. Similarly, R. C. Dutt remarked in 1901 that 'It is not in human nature for any race of men to sacrifice their own interests for another race' (*Speeches II*, p. 113).

of tariffs which encompassed the entire length and breadth of India. The value of the agitation on the tariff issue in this respect was fully recognised by that most astute of tacticians among the nationalist leaders of that generation, Lokmanya Tilak, whose paper *Mahratta* was quick in giving the clarion call for national unity. In its issue dated 9 February 1896, we read:

> Sceptical English opponents of Young India have always been crying themselves hoarse that India can never be a nation. Let this terrible crisis make us one. Let all Indians—Hindus, Mohamadans, Parsees and Englishmen living in India—make common cause.... This is not a time for scruples and hesitations. All private differences must be sunk for the national cause and natives and Anglo-Indians must alike unite to face the common enemy.[105]

However, what distinguishes the nationalist reaction to the excise duty, and sets it apart in a higher class qualitatively, from the nationalist reaction to other features of British policy, economic or otherwise, is the fact that for the first time in the history of Indian national movement the nationalist leadership carried out the third task. It emerged from the stage of mere agitation and crossed into the realm of action, even though this was done on a small scale and perhaps in only one part of the country, the Bombay Presidency. It was at this time and around the issue of the cotton excise duty that the idea of boycott of foreign goods was put into practice on a visible scale.[106] Boycott of foreign goods was declared by a section of the national leadership to be the only available way of helping indigenous industry

105. The success of nationalist effort in this direction was testified to a few years later by Lovat Fraser in words which sound like an echo of Lokmanya's remarks: 'This is the one issue on which, I believe, practically the whole of India is united. All the communities, Hindus and Mahomedans, Loyalists and Anarchists, Congress and Moslem League, the bulk of the silent servants, most of the non-official Europeans, take the view that the Indian tariff must be settled in the interests of India; and they believe that at present the interests of England are considered first' (*op. cit.*, pp 339-40).

106. For details of the boycott movement of 1896, see Chapter III above.

since the British sense of justice and benevolence could no longer be relied upon. Mass meetings where vows of swadeshi were taken were organised in many parts of the country. A miniature swadeshi campaign was organised in Maharashtra. In its political implications, this miniature boycott-of-foreign-cloth campaign was not less significant than the political agitation against the excise duty for it represented a new form of direct action by the people themselves. It represented the spirit of self-help as against reliance on appeals to the rulers for redress of grievances.[107] In imparting a sense of self-confidence and in bringing a large number of urban people into the vortex of nationalist politics, this early swadeshi movement, arising out of the tariff policy of the government, played a seminal role.

VII. SUGAR IMPORT DUTIES, 1899

Another significant measure of fiscal policy to engage the attention of Indian leadership was that of countervailing import duties on bounty-fed sugar from Europe. This was indeed a complex issue which put to test the depth of the economic grasp, économic nationalism, and political subtlety of Indian leadership, and which provides one of the few instances of a wide split in its ranks during the period under study.

India had been an exporter of sugar up to the middle of the 19th century; however, soon after, it began to import refined sugar mostly from the British colony of Mauritius. During the last decade of the 19th century there was an enormous increase in importation of beet-sugar from Germany and Austria as a result of the system of state-bounties to exports adopted by their governments. By 1898 beet-sugar threatened, because of its cheapness, to overwhelm imports from Mauritius as well as indigenous sugar. To check this tide, the Government of India carried out, on 20 March 1899, an amendment to the Indian

107. This was clearly seen by Tilak. See *Mahratta*, 9 Feb. 1896, where, in connection with the call for boycott of Lancashire cloth, we read: 'The traditions of British sense of justice cannot now help us. The good intentions of a microscopic minority cannot help us. India has only one resource left her—*she must help herself.*'

Tariff Act of 1894, acquiring the power to impose countervailing import duties on bounty-fed sugar to the extent of the amount of state-bounties. The chief reason advanced by the government for this apparently bold departure from its avowed policy of Free Trade was that it was anxious to prevent further decay and destruction of a great Indian industry, and of the cultivation of sugarcane based on it, at the hands of artificially stimulated competition. Already, it was alleged, a great deal of damage had been done. There had occurred a widespread and a still unarrested closing of Indian refineries and as much as a 13 per cent contraction in the area under sugarcane cultivation. The Government also claimed that bounty-fed sugar competed not only with sugar manufactured and refined in India's modern factories but also with its unrefined and crudely refined sugar.[108] At the same time, the Government vehemently denied that Imperial considerations, such as the protection of the interests of the planters and manufacturers of Mauritius, had played an important role in its decision. It maintained that, on the contrary, the interests of Indian industry and agriculture had been the sole guiding force.[109]

But though Lord Curzon openly claimed an overwhelming support in the country for his measure and publicly declared that only the importing merchants, represented mostly by the European Chambers of Commerce of Bombay and Karachi, had expressed disagreement,[110] the reality was a little different. The Indian national leadership was never—not even in the

108. *Government of India's Despatch* No. 27 (*Finance*), dated 26 Jan. 1899; Curzon, *Speeches* I, pp. 62, 64, 65; and Westland, *LCP*, 1899, Vol. XXXVIII, pp. 125, 129.

109. Curzon, *Speeches* I, p. 62. He added: 'We are exercising our own legislative competence, of our own initiative, though with the sanction and concurrence of the Secretary of State, to relieve India from an external competition.' His Finance Member, James Westland, was even more emphatic: 'If our legislation, based as it is on interests which are purely Indian, and refer to this country alone, also helps to preserve the means of subsistence to such a large number of immigrants, I think I may bring it before the council as one additional reason in support of the Bill' (*LCP*, 1899, Vol. XXXVIII, pp. 173-4).

110. Curzon, *Speeches* I, pp. 61-2.

beginning—unanimous in its support to the countervailing import duty; and, with the passage of time, nationalist opposition to it gained strength and momentum. Moreover, as we shall see below, at no stage was Indian support unqualified and in accord with the spirit that permeated the government circles when adopting the measure.

The supporters and critics of the Government of India's action were, however, not equally balanced, at least initially. The supporters outnumbered the critics before and at the time of the passage of the amending Act. The most important voice among the former was that of Justice M. G. Ranade, whose word still had, for a large number of Indians, the force of a law in matters economic, and whose views were expressed in three articles in the *Times of India* in May and June 1899.[111] Other active supporters were P. Ananda Charlu, who gave loud and strong support to the Government from his seat in the Imperial Legislative Council, and R. C. Dutt.[112] Nearly all the important nationalist newspapers, for example, the *Amrita Bazar Patrika*, the *Bengalee*, the *Hindu*, the *Mahratta*, the *Indu Prakash*, the *Advocate*, and the *Tribune*, were ranged on this side.[113] The *Amrita Bazar Patrika* was, in fact, the first in the country in publicly raising the cry against bounty-fed beet-

111. M. G. Ranade, *Plea for Protection—Indian Sugar Industry*—Three articles contributed by M. G. Ranade in May and June 1899 to the *Times of India*—with an introduction by V. G. Kale (Bom., n.d.).

112. P. A. Charlu, *LCP*, 1899, Vol. XXXVIII, pp. 134, 176-9; and Dutt, letters to the *Manchester Guardian* and the *Time*, reproduced in *India*, 31 March 1899.

113. *ABP*, 8, 22, 24 March 1899; *Bengalee*, 18 March 1899; *Hindu*, 18, 21 March 1899; *Mahratta*, 26 March 1899; *Indian Spectator*, 26 March 1899; *Advocate*, 14 March, *Madras Standard*, 17 March (*ISVOI*, 26 March 1899); *Indian Mirror*, 23 March (*ibid.*, 2 Apr. 1899); *Satya Vijaya*, 23 March, *Kaiser-i-Hind*, 19 March (*RNPBom.*, 25 March 1899); *Dainik-o-Samachar Chandrika*, 22 March (*RNPBeng.*, 25 March 1899); *Samaya*, 24 March, *Hitavadi*, 24 March, *Bangabasi*, 25 March (*ibid.*, 1 Apr. 1899); *Uriya and Navasamvad*, 29 March, *Samvadradunka*, 16 March, *Utkaldipka* (n.d.) (*ibid.*, 17 June 1899); *Civil and Military News*, 15 March, *Akhbar-i-Am*, 14 March (*RNPP*, 18 March 1899). Also G. R. M. Chitnavis, *LCP*, 1899, Vol. XXXVIII, pp. 174-5.

sugar and demanding protective action by the government.[114]

However, a small but vocal group among the nationalists forcefully and relentlessly opposed the countervailing duty. The leader of this section was said to have been Prithwis Chandra Ray, a member of the Executive Committee of the Indian Association and Assistant Secretary to the Calcutta Standing Congress Committee, who had earlier in 1895 made quite a name for himself in Bengal as an economist with his book, *The Poverty Problem of India,* and who now brought out a pamphlet on the sugar duty.[115] Standing between these two groups and occupying a middle position was the lone but powerful personality of Pherozeshah Mehta who refused to be hustled in the matter and who suggested, during the course of the debate on the Government Bill in the Imperial Legislative Council, that more facts and more detailed enquiry and debate were needed before the issue could be decided either way.[116]

Before we examine at length the position assumed and the arguments advanced by the two groups, we may invite attention to two other factors in the situation. Firstly, the memory of the tariff struggles of 1894 and 1896 was still fresh in the

114. This it did as early as 22 Aug. 1898. Three months later, on 18 Nov. 1898, it asked the Government to immediately levy a countervailing duty on the bounty-fed sugar. A few days earlier, on 14 Nov. 1898, to be exact, it had advised the people to jointly abstain from consumption of foreign sugar and had suggested that people could be won over to such a combination if propaganda was done among them that foreign sugar contained 'abominations'. Such early support to a countervailing duty came also from *Hindustan,* 20 Nov. (*RNPN,* 22 Nov. 1898); and *Bharat Jiwan,* 28 Nov. (*ibid.,* 6 Dec. 1898).

115. P. C. Ray, *The Indian Sugar Duty* (1 May 1899, Calc.). Others were *Prativasi,* 17 Apr. (*RNPBeng.,* 22 Apr. 1899); *Gujarati,* 19, 26 March (*RNPBom.,* 25 March, 1 Apr. 1899); *Hitechchu,* 23 March (*ibid.,* 25 March 1899). Very soon after, in May 1899, this small band was joined by numerous other newspapers. See below.

116. P. Mehta, *Speeches,* p. 573. The equivocal position of Mehta led, on the one hand, Lord Curzon to claim during the course of his contribution to the debate that 'the Hon'ble Mr Mehta, although he delivered this criticism on a point of detail, did not withhold his assent, which I am certain that he is prepared to give, to the general principle of the measure' (*Speeches I,* p. 61), and, on the other, D. E. Wacha to praise in 1906 'the versatile Sir P. M. Mehta' for being farsighted enough to have 'raised his strident voice against the plea urged for the imposition of the duties' (*Speeches,* p. 173).

minds of Indian nationalists, all of whom tended to look at the countervailing sugar duty in the light of lessons learnt from and the points of view adopted during those struggles. Differences arose in their ranks only when they applied those lessons to the present issue. And, secondly, the controversy was carried on by them not only as regards the merits of the case but also within the context of the wider controversy raging in England and India around the alleged violation of the principles of Free Trade by the imposition of the sugar duty. We are, however, not directly concerned with the latter controversy.

Critics of the sugar duty based their stand, first of all, on the ground that the need for it had been derived from false premises. They argued that European sugar did not compete with India's crude and unrefined sugar, which formed by far the largest portion of the indigenous manufacture of sugar, and that so long as the home-made country sugar was not undersold there was no danger to India's real sugar industry or to the sugar-cane cultivation dependent upon it. They admitted that the area under cane cultivation had shrunk in recent years; but this was, they said, primarily due to prevalence of famine conditions and failure of monsoons. Moreover, such contraction had taken place prior to 1896-7 also, that is before the import of bounty-fed sugar had assumed large proportions. These critics nonetheless conceded that the indigenous refined sugar industry had suffered at the hands of foreign competition. But they contended that this was not an important enough loss from the point of view of the country as a whole. After all, they said, there were only 6 large sugar factories in Bengal, 2 in N.-W.P. and Oudh, 1 in Punjab, and 5 in Madras; the total quantity of refined sugar produced was about 800,000 cwts., i.e., only about one-fifth of the country's total consumption of refined sugar. Even if all these factories were to close down, not more than 4 to 5 thousand labourers would be thrown out of work. Moreover, beet-sugar was not the only enemy of India's refined sugar, sugar from Mauritius played an equally important role in ruining Indian sugar refineries whose products would not

be able to compete with Mauritius sugar even if European sugar was completely embargoed. Had not 89 sugar factories closed down in Bengal alone between 1883-90, i.e., before the entry of German and Austrian sugar?[117] The *Prativasi* even maintained that in any case there was at the time no real possibility of the growth of modern sugar industry in India.[118] Supporters of the sugar duty, on the other hand, cited facts and figures to show that sugar refineries were being progressively closed down everywhere in the country; that production of unrefined sugar was also suffering; and that, on account of these two, a serious decline had taken place in the area under cane cultivation and date trees and a more serious decline might be expected in future.[119] This result was due not to famine but to 'the unprofitableness of industry due to foreign competition'.[120] They therefore looked upon the countervailing sugar duty as a partial protection for, and a kind saviour of, the indigenous sugar industry. The duty would, they asserted, check the stagnation and decline in the production of refined sugar, give a new lease of life to rural sugar industry, lead to extension of sugarcane cultivation, and provide new employment opportunities to thousands of workers.[121] Justice Ranade agreed with the critics of the sugar duty on the point that at the time there was perhaps not much of refining industry in the country and that, consequently, not much of industrial loss was involv-

117. Ray, *Indian Sugar Duties*, pp. 5-7, 12, 17-20; *Gujarat*, 26 March (RNPBom., 1 Apr. 1899). Another such factor, according to Ray, was the decline in exports of Bengal sugar to U.K., U.S.A., and Europe. P. Mehta held a similar view: 'It is true that a certain number of sugar-refineries in the country have been stopped, but I am not quite sure that the facts placed before us necessarily point to the importation of bounty-fed sugar as the sole or main cause of that result' (*Speeches*, p. 573).

118. 17 Apr. (RNPBeng., 22 Apr. 1899).

119. Ranade, *Plea for Protection*, pp. 5, 7-9, 13; *Bharat Jiwan*, 27 March (RNPN, 27 March 1899); *Akhbar-i-Am*, 14 March (RNPP, 18 March 1899); P. A. Charlu, LCP, Vol. XXXVIII, p. 176; G. R. M. Chitnavis, *ibid.*, p. 175.

120. Ranade, *Plea for Protection*, pp. 10,12,13.

121. Dutt in *India*, 31 March 1899; ABP, 22 March 1899; *Hindu*, 18 March 1899; *Dainik-o-Samachar Chandrika*, 22 March (RNPBeng., 25 March 1899); *Hitavadi*, 24 March (*ibid.*, 1 Apr. 1899); *Bharat Jiwan*, 27 March (RNPN, 28 March 1899); *Hindustan*, 14 Apr. (*ibid.*, 19 Apr. 1899).

ed. But, he maintained, to take this view was to be extremely shortsighted. The real danger lay in the entire future of this industry being jeopardised.[122]

Another point of contention between the critics and supporters of the sugar duty was its effect on the consumers. The critics contended that the bounty paid by sugar exporting countries cheapened sugar and benefited the Indian consumers to that extent. Since the countervailing duty would not in any case provide a stimulus to local industry and since the latter could meet only a small part of the Indian demand for refined sugar, sugar would still continue to be imported—the only difference after the imposition of the duty would be that instead of cheap sugar from Austria and Germany, sugar would be imported mainly from Mauritius at a higher cost. The duty would, therefore, be in the nature of an additional tax on the consumer.[123]

The critics of the critics, so to say, did not deny that the bounty-fed sugar was cheaper; but they declared that this might be a valid argument against the countervailing duty only if the prospects of an Indian industry were not involved. However, having shown that Indian sugar industry was being injured by European sugar, they readily discounted this argument. In addition, they warned that the very cheapness of subsidised sugar might, in the long run, turn out to be a veritable snare for the consumer. The real aim of the state bounties was to cheapen beet-sugar by artificial means so as to ruin its rivals. But once the indigenous industry was ruined beyond revival, the Europeans would set out to rule the market and charge monopoly prices.[124] Furthermore, the supporters of the duty cleverly turned the cheapness-argument by appealing to the utilitarian doctrine of the greatest good of the greatest number. They

122. Ranade, *Plea for Protection*, p. 6.

123. Ray, *Indian Sugar Duties*, pp. 6-7; *Gujarat*, 19, 26 March (*RNPBom.*, 25 March, 1 Apr. 1899); *Prativasi*, 17 Apr. (*RNPBeng.*, 22 Apr. 1899).

124. Ranade, *Plea for Protection*, p. 3; *ABP*, 18 Nov. 1898, 22 March 1899; P. A. Charlu, *LCP*, 1899, Vol. XXXVIII, p. 176; *Samaya*, 24 March (*RNPBeng.*, 1 Apr. 1899).

pointed out that the cost of imported and refined sugar affected not the poor in India, who consumed only unrefined local product, but only the middle and upper classes, who should be enlightened enough to make a sacrifice for their community and who should look upon the rise in price of sugar resulting from the countervailing duty as 'a species of indirect taxation for the benefit of their poor brethren'.[125]

Once again, it may be noted, these leaders were following the dictum of 'industry before all'. Even though coming from and, in the main, leading the rising westernised and urban middle class of India, they were willing to sacrifice their interests as consumers to the interests of the country's industrialisation. It may also be pointed out that even the critics of the sugar duty would not perhaps have objected to such a sacrifice—their only objection being that it would be a useless sacrifice by a part when the whole would in no way benefit as a result thereof.

The critics also suspected the motives of the Government of India in bringing forward the Sugar Duty Act. They felt that things were not what they seemed, that in introducing this measure the government was not really moved by solicitude for Indian interests, that its cry of Indian sugar in danger was false, and that all the sympathy being shown by its spokesmen for Indian cultivators and manufacturers was hypocritical or even worse. The true purpose of the government measure, in their opinion, was to help the planters and manufacturers of Mauritius and the West Indies in driving away from the Indian market their rivals, with whom they were unable to compete otherwise. Indeed, an index of the sincerity of the rulers would be their willingness to extend the protective duty to all sugar imports. Such a measure would be welcomed by all, declared the critics. The existing measure was totally inadequate if the real intention of the government was to save Indian sugar industry, since it did not protect Indian sugar

125. P. A. Charlu, *LCP*, 1899, Vol. XXXVIII, p. 177. Also Dutt in *India*, 31 March 1899; *Hindu*, 21 March 1899; *Hindustan*, 14 Apr. (*RNPN*, 19 Apr. 1899); *Bharat Jiwan*, 1 May (*ibid.*, 3 May 1899).

from its most formidable rival—the Mauritius sugar.[126] After all, Ray wrote, 'it makes very little difference to us that, instead of Germany and Austria, it is Mauritius which sends us the greater part of the refined sugar we want and kills our sugar industry.'[127] In fact, he held, if the government was genuinely interested in reviving and encouraging Indian sugar industry, it should not only impose restrictions upon the Mauritius sugar also but simultaneously give direct aid and encouragement to indigenous industry and make efforts to improve cultivation of sugarcane and methods of manufacture of sugar.[128]

When it came to evaluating the underlying motives of the government in levying sugar duty, most of its supporters reacted quite favourably to the government till the publication in May 1899 of the Blue Book on the subject[129] brought home 'the bitter truth'. At the time of the passage of the Sugar Duty Act many newspapers and persons believed that it was enacted 'only for the benefit of India'.[130] There was even 'an exultation that an economic saviour had come in the person of

126. Ray, *Indian Sugar Duties*, pp. 2-4, 6-7, 24. Also, *Gujarati*, 19 March (*RNPBom.*, 25 March 1899), 14 May (*ibid.*, 20 May 1899).

127. Ray, *Indian Sugar Duties*, p. 12.

128. *Ibid.*, pp. 22-3.

129. P.P. of 1899 (H. of C.) Vol. 66, C9287. The Blue Book brought out the fact that, while on 5 May 1898 the Government of India had in a Despatch asserted that imported sugar had not 'materially affected' the grower of sugarcane and refused to levy countervailing duties on sugar, the Secretary of State had twice, once in a Despatch dated 25 August 1898 and then again in a Despatch dated 26 January 1899, forwarded memorials from the Mauritius planters asking for protective measures in India against bounty-fed sugar and exerted gentle pressure upon the Government of India for the acceptance of this demand.

130. *ABP*, 24 March 1899. This seems to have been the view of many, though, unfortunately the various Reporters of Native Press did not think it necessary to mention the point in their weekly summaries of the Indian Press. Perhaps they felt that the very mention of support for the government action covered this point also. *The Gujarati*, which was otherwise hostile to the government measure, referred in its issue dated 14 May 1899 to the wide scale on which faith in government's intentions was expressed in the Indian Press. (*RNPBom.*, 20 May 1899). Wacha also spoke about this phenomenon in 1906 (*Speeches*, p. 173).

Lord Curzon to revive the industries of the land.'[131] But the mood of exultation lasted for less than two months. While the Blue Book on the Sugar Duty confirmed the worst suspicions of the critics,[132] it convinced even the supporters that the step was taken not solely or principally in the interests of the Indian cultivators and manufacturers, but mainly for the benefit of the planters and manufacturers of Mauritius and the West Indies.[133] Even Justice Ranade was led to remark that the change in policy had been 'due to the ruin of the West Indies sugar industry'.[134] And P. Ananda Charlu, the most enthusiastic of the Indian supporters of the measure, confessed in 1901 that the suspicion 'freely expressed' at the time of its passing 'that it was legislation for the benefit of some of the colonies, seems not to have been altogether unfounded.'[135] This led many of the defenders of the Sugar Duty Act to admit that their enthusiasm for it had been 'dampened'.[136] Even so, they refused to condemn the Act. In this respect they again parted company with the critics and continued to maintain that, since the measure would secure the long-range interests of Indian sugar industry, Indians should not hesitate to support it[137]

131. Wacha, *Speeches*, p. 173. The following extract from the *Samaya* of 24 March (*RNPBeng.*, Apr. 1899) portrays this feeling: 'The noble-mindedness, sympathy with his subjects, and, above all, the sense of duty evinced by his Lordship in the passing of the Bill, will secure him worship in every native household.' Also see *Bharat Jiwan*, 3 Apr. (RNPN, 4 Apr. 1899).

132. The *Gujarati* wrote in its issue dated 14 May 1899 that the entire correspondence between the Government of India and the Secretary of State showed that 'Masterful Chamberlain (Secretary of State for Colonies) has scored a triumph, and with the help of sufficiently plastic tools admirably fooled the whole of the Indian public to the top of its bent' (RNPBom., 20 May 1899).

133. ABP, 1 June 1899; *Hindu*, 12 May 1899 (it was, however, in two minds); *Tribune*, 30 May, *Indian Mirror*, 12 May, *Madras Standard*, 11 May (ISVOI, 21 May 1899); *Sanjivani*, 11 May (RNPBeng., 20 May 1899); *Satya Vijaya*, 17 May, *Kesari*, 16 May, *Hitechchu*, 18 May (RNPBom., 20 May 1899).

134. Ranade, *Plea for Protection*, p. 2.

135. LCP, 1901, Vol. XL, p. 281. Also Dutt, EHII, p. 523.

136. ABP, 20 May 1899; *Indian Mirror*, 12 May, *Madras Standard*, 11 May (ISVOI, 21 May 1899).

137. ABP, 20 May and 1 June 1899; *Hindu*, 21 May 1899; *Madras Standard*, 11 May (ISVOI, 21 May 1899); *Advocate*, 19 May (*ibid.*, 28 May 1899).

and even make common cause with the Mauritius planters.[138] After all, they said, it would be a positive gain if the duty knocked down at least one of the two foreign enemies of Indian sugar.[139] Moreover, it would provide Indian sugar industry some 'breathing time'.[140]

This section of Indian leadership also found common ground with the other section on the proposition that the mere imposition of a countervailing duty would not succeed in protecting and promoting Indian sugar industry and that certain other steps had to be taken urgently for this purpose. One step suggested was the extension of protection to Indian sugar even against the Mauritius sugar.[141] Another was the grant of special and active governmental facilities to indigenous industry.[142] Interestingly enough, in demanding these special facilities, Justice Ranade went to the extent of attacking one of the pet dogmas of the nationalist movement, namely, temperance or discouragement of the drinking habit. He pointed out that one of the external economies of sugar manufacture lay in the production of rum as a by-product. 'Unless the sugar refiner is allowed to get rid of the spirit from the waste, and sell it near the works, under the still-head system, no sugar factory can be worked.' But, he complained, this facility was not available to Indian producers because of the excise monopoly of the government. He therefore demanded that the liquor excise interest should be subordinated to the needs of sugar industry and sugar refineries should be given full freedom to manufacture rum and sell it 'to those who would like to drink what is stated to be a superior product'.[143] This plea of Ranade should be contrasted with his own and the national leadership's full throated demand, made in another context, for restriction of sale of liquor to the public.[144] Obviously, in this case, the lover

138. Ranade, *Plea for Protection*, p. 6.
139. *ABP*, 20 May 1899.
140. Ranade, *Plea for Protection*, p. 6.
141. *ABP*, 20 May 1899; *Sanjivani*, 11 May (*RNPBeng.*, 20 May 1899).
142. Ranade, *Plea for Protection*, p. 6.
143. *Ibid.*, pp. 17-21.
144. See Chapter XI below.

of industry in Ranade got the better of the social reformer and the moralist in him and made him plead for spread of intemperance!

In the running controversy between the assailants and the upholders of government action, later events proved the former to be correct on nearly all counts. We have already seen how, after the publication of the Blue Book on the Sugar Duty Act, most of the Indians came to doubt the motives lying behind its enactment. Moreover, this measure failed in checking imports of bounty-fed sugar;[145] and, what was even worse, when the latter was eventually pushed off the Indian market, it was replaced not by indigenous sugar but by increasing imports from Mauritius and Java.[146] In fact, the validity of the various contentions of the critics of the measure was openly recognised a few years later by the officials themselves. For example, Lord Curzon admitted in 1902 that there was 'at present no real or serious competition' between the Indian raw sugar and the refined imported sugar. Reversing his previous position, he declared:

> As far as I can ascertain, the area under sugarcane has remained almost stationary during the past few years. If anything, it has been slightly decreasing. This, however, has been due neither to foreign competition, nor to any failure of market supplied by the Indian refineries, but to the conditions of scarcity that have prevailed in so many parts of the country, and that have equally affected every class of agricultural production.[147]

It stands to reason, therefore, that, if the arguments that we have reviewed above were the only ones to be advanced in favour of their position by the Indian champions of the sugar duty, we would have to conclude that their economic analysis and judgment were in this case shallow and divorced from the

145. J. F. Finlay, *LCP*, 1902, Vol. XLI, p. 216; Curzon, *Speeches III*, p. 2; Dutt, *EHII*, p. 523.

146. Lovat Fraser, *op. cit.*, p. 342; Parimal Ray, *op. cit.*, p. 84.

147. Curzon, *Speeches III*, p. 5. Also see the *Imperial Gazetteer of India (1908)*, Vol. III, pp. 288-90.

facts of life. Such a conclusion would be erroneous and less than just to the depth and subtlety of their economic thinking and approach. In our opinion, they were guided, in supporting the government in this case, by some other, more important consideration than any hitherto examined by us. This consideration was sometimes stated openly and sometimes expressed with that clever circumspection which the leaders of a subject people are sometimes compelled to use, though often with a great deal of effect. It arose out of their belief that the Sugar Duty Act marked 'a very important epoch by way of departure in the fiscal legislation of this country'.[148] They saw the measure as a golden opportunity, which they seized with eager hands, to attack the doctrine of Free Trade and to force an acceptance of the protective principle on the government. Having once departed, for whatever reasons, under whatever circumstances, and hedged in with whatever qualifications, from the thoroughgoing principles of Free Trade, the government could, these leaders thought, no longer resist their pleas and pressure for the extension of the policy of protection, embodied in the Sugar Duty Act, to other industries in need of similar state protection, even if in their case British competitors were involved.[149] If V. G. Kale is to be believed—and we don't see any reason why he should not be—even Justice Ranade had this consideration uppermost in his mind when he

148. P. A. Charlu, *LCP*, 1899, Vol. XXXVIII, p. 134.

149. *Ibid.*, pp. 178-9; *Mahratta*, 26 March, 2 Apr. 1899; *Hindu*, 18, 21 March, 12 May 1899; *Bengalee*, 18 March 1899; *Indian Mirror*, 23 March (*ISVOI*, 2 Apr. 1899); *Satya Vijaya*, 17 May (*RNPBom.*, 20 May 1899); *Bangabasi*, 25 March, 1 Apr. (*RNPBeng.*, 1, 8 Apr. 1899); *Uriya and Navasamvad*, 29 March (*ibid.*, 17 June 1899). In the *New India* of 21 Apr. 1902, Bipin Chandra Pal frankly admitted that in 1899 he had supported the sugar import duty, even though he had known that it was not meant for the benefit of India but for that of British capitalists in the Mauritius, because he had seen it as a new principle, 'as a healthy departure from the old orthodoxy of free tradism'. The Government of India, too, tended to encourage this belief. Introducing the Sugar Duty Bill, James Westland declared: 'I am proposing to open an entirely new chapter in our fiscal history' (*LCP*, 1899, Vol. XXXVIII, p. 124). In supporting the Bill, Lord Curzon seemed to be putting forward an excellent defence of the principle of protection in the context of the needs of an industrially backward country (*Speeches I*, pp. 63-4).

so actively took up cudgels on behalf of the Act In his introduction to the collection of Ranade's letters on the subject, Kale says that the countervailing import duty only provided to Ranade a convenient peg on which to hang his criticism of the Free Trade school. Ranade saw in the duty, 'only a thin end of the wedge and wished that the narrow gap made in the stronghold of *laissez faire* should be widened so that economic policy in India would be formulated with an eye to the systematic development of indigenous industries.'[150]

VIII. THE SUGAR DUTY AMENDMENT ACT, 1902

As we have just seen, the Sugar Duty Act of 1899 failed to check the imports of beet-sugar, for the continental sugar manufacturers immediately changed to indirect subsidisation of their exports through the formation of cartels. The Government of India replied by imposing in June 1902 additional countervailing duties.[151] The Sugar Duty Amendment Bill did not, however, get as much support from the nationalists as the earlier Act had. On the contrary, the arguments advanced by the critics of the earlier Act got a much wider acceptance in the context of the new Act. Even though Lord Curzon once again proclaimed that 'in this legislation we have no other object in view than the public interest',[152] no hallelujahs and bouquets rained forth from the Indian leaders; instead, came many a brickbat. The overwhelming majority of them declared that the government was acting in the interests of colonial planters and manufacturers, who would be able, as a result of the sugar duties, to charge high prices from Indian consumers and at the same time destroy Indian sugar industry.[153] In addi-

150. V. G. Kale's introduction to Ranade's *Plea for Protection*, pp. iv and vi.

151. J. F. Finlay, *LCP*, 1902, Vol. XLI, pp. 215-7; Curzon, *Speeches III*, pp. 1-2.

152. Curzon, *Speeches III*, p. 6.

153. *ABP*, 25, 26 Apr. 1902; *New India*, 21 Apr., 12 June 1902; *Mahratta*, 15 June 1902; *Kaiser-e-Hind*, 1 June, *Kesari*, 3 June, *Indu Prakash*, 2 June (*RNPBom.*, 7 June 1902); *Voice of India*, 21 June 1902; *Prativasi*, 26 May

tion, some of them felt that perhaps consideration for the welfare of the European manufacturers of refined sugar also lay behind Government of India's action.[154] The only major nationalist newspaper to take the opposite view was the *Bangabasi*, which supported the new Sugar Duty Act on the ground that Indian manufacturers had, in fact, benefited during the first year of the operation of the earlier Act, that encouragement to Europeans to start sugar factories in India would create new employment opportunities and a greater demand for sugarcane and molasses, and that European example might later be followed by Indian industrialists.[155]

As an alternative to the official policy, some of the Indian leaders again proposed the imposition of protective duties on all foreign sugar, including that from British colonies.[156] A few of them went so far as to suggest that if this could not be done the countervailing duties on bounty-fed sugar should also be removed.[157]

IX. MISCELLANEOUS QUESTIONS

It remains for us to take note of a few other, though minor, aspects of tariff policy which were commented upon by the Indian national leadership and of one aspect of British tariff policy in which it evinced keen interest.

In sharp contrast to their stand on import duties on cotton

(*RNPBeng.*, 31 May 1902); *Hitavadi*, 30 May (*ibid.*, 7 June 1902); *Sanjivani*, 12 June, *Indian Mirror*, 8 June (*ibid.*, 21 June 1902); *Power and Guardian*, 1 June (*VOI*, 28 June 1902).

154. *New India*, 12 June 1902; *Kaiser-e-Hind* (*RNPBom.*, 14 June 1902); *Prativasi*, 26 May (*RNPBeng.*, 31 May 1902); *Hitavadi*, 30 May (*ibid.*, 7 June 1902).

155. 14 June (*RNPBeng.*, 21 June 1902). The *Tribune* of 27 May 1902 also refused to oppose the Bill (*VOI*, 28 June 1902).

156. *Mahratta*, 25 May, 8 June 1902; *ABP*, 21 Apr. 1902; *Kesari*, 3 June, *Indu Prakash*, 2 June (*RNPBom.*, 7 June 1902). The *Kesari* at the same time warned its readers that 'to expect such encouragement to Indian industries from a Government which did not hesitate to cripple the indigenous cotton industry for the sake of Manchester, would be as unreasonable as the attempt to extract sugar from the waters of the sea.'

157. *New India*, 21 Apr. 1902; *Sanjivani*, 12 June (*RNPBeng.*, 21 June 1902).

textiles and sugar was the attitude of the Indian leaders towards import duties on many other commodities which did not compete with any indigenous product and which, on the contrary, helped the growth of Indian industries or agriculture. Such import duties were evaluated from the point of view of their ultimate effect on the process of industrialisation and the interests of the consumer. Quite vocal in this respect was their criticism of the import duty on kerosene, which was first imposed in 1888 and then enhanced in 1894. The Government of India believed this tax to be quite unobjectionable since it did not affect any British industry.[158] But Indian leaders took exception to it on the ground that since kerosene did not affect any Indian industry either, the interests of the poorer classes of Indians, who consumed most of it for lighting their houses and who would feel the new levy as a burden, should be given primacy.[159]

They reacted even more sharply when in March 1894 the Indian Tariff Bill was introduced proposing the imposition of varying import duties on coal, metals, dyes, industrial raw materials, and other industrial stores. They vehemently criticised the government for trying to hamper industrial growth by thus indirectly taxing industries.[160]

158. Strachey, *India* (1903), p. 182.

159. *Bengalee*, 4 Feb. 1888; *Indian Mirror*, 3 Feb., *Gujarat Mitra*, 5 Feb., *Indu Prakash*, 5 Feb. (*VOI*, March 1888); *Bombay Samachar*, 11 Feb., *Gujarat Gazette*, 9 Feb., *Rast Goftar*, 5 Feb., and many other papers (*RNPBom.*, 11 Feb. 1888); *Samaya*, 3 Feb. (*RNPBeng.*, 11 Feb. 1888); *Hindustan*, 12 Feb., *Vritta Dhara*, 9 Feb. (*RNPPN*, 14 Feb. 1888); Memorial of Poona Sarvajanik Sabha, dated 6 March 1894, *JPSS*, Vol. XVI, No. 4 (Apr. 1894), p. 137; Memorial of Indian Association, dated 8 March 1894, *Report of Indian Association for 1892-3 to 1895-6*, p. 43; Bombay Presidency Association's Protest to Supreme Legislative Council, *P.P. (House of Commons)*, 1895, paper 202; *Indu Prakash*, 12 March 1894; *Indian Spectator*, 11 March 1894; *Kaiser-e-Hind*, 4 March, *Dnyan Prakash*, 5 March, *Sudharak*, 5 March, *Gujarati*, 4 March (*RNPBom.*, 10 March 1894); *Azad*, 9 March (*RNPN*, 14 March 1894); *Karnatak Prakasika*, 12 March (*RNPM*, 15 March 1894); *Swadesamitran*, 16 March, *Manorama*, 19 March, *Kerala Patrika*, 17 March, *Khasim-ul-Akhbar*, 15 March (*ibid.*, 31 March 1894); G.R.M. Chitnavis, *LCP*, 1894, Vol. XXXIII, p. 155; *ABP*, 22 Dec. 1894.

160. Memorial of Poona Sarvajanik Sabha, dated 6 March 1894, *loc. cit.*, p. 138; J. U. Yajnik, Presidential Address to the 7th Bombay Provincial Conference, *JPSS*, Vol. XVII, No. 3 (Jan. 1895); Memorial of Indian Association,

Silver plate was one of the minor items of export from India to England during the last quarter of the 19th century. The British government levied a duty of 30 to 35 per cent on its import, and subjected it to a cumbersome system of hall-marking.[161] From the year 1882 onwards, there was widespread protest by Indian leaders against this impost.[162] This protest reached its high watermark in 1889 when the Indian National Congress urged immediate abolition of the plate duties and making of hall-marking voluntary.[163] This had the desired effect, as Charles Bradlaugh, who attended this session of the Congress, took up the question in the parliament and got the duties repealed in 1890.

Indian leaders devoted so much importance to such a minor evil mainly with a view to show the hollowness of British adherence to the principle of Free Trade. While pleading for the repeal of plate duties in England, they repeatedly asked the question: when the cotton duties in India were abolished in 1882 allegedly to uphold the principle of Free Trade, why were the plate duties being maintained and why did England not reciprocate the good example set by India? England's refu-

dated 8 March 1894, *loc. cit.*, p. 43; Bombay Presidency Association's Protest to Supreme Legislative Council, *loc. cit.*; Mahratta, 4 March 1894; *Bengalee*, 10 March 1894; *Advocate*, 9 March (*ISVOI*, 15 Apr. 1894); *Indu Prakash*, 12 March 1894; *Kaiser-i-Hind*, 4 March, *Dnyan Prakash*, 5 March, *Sudharak*, 5 March, *Gujarati*, 4 March (*RNPBom.*, 10 March 1894); G.R.M. Chitnavis, *LCP*, 1894, Vol. XXXIII, p. 155. Interestingly enough, as early as 28 Aug. 1881, the *Mahratta* had demanded removal of import duties on machinery in the interests of Indian industry.

161. *P.P.* (H. of C.), 1883, Vol. 50, paper 347, 1884, Vol. 62, paper 112, 1887, Vol. 77, paper 404.

162. *Bombay Samachar*, 31 March (*RNPBom.*, 1 Apr. 1882); *Indu Prakash*, 10 Dec., *Bombay Samachar*, 14 Dec. (*ibid.*, 15 Dec. 1883); *Lok Mitra*, 16 Dec., *Bombay Chronicle*, 16 Dec., *Gujarati*, 16 Dec. (*ibid.*, 22 Dec. 1883); *Dnyan Prakash*, 21 Feb. (*ibid.*, 23 Feb. 1884); *Mahratta*, 13 Jan. 1884; *Hindustan*, 8, 9 June (*RNPP*, 12 June 1888); and newspapers and leaders cited in f.n. 164 below.

163. Resol. VIII. Introducing the Resolution, D. E. Wacha branded the duties as 'barbarous' and 'a relic of medieval finance' (*Rep. INC for 1889*, p. 56). Earlier, on 3 June 1888, the *Mahratta* had strongly condemned 'the barbarous manner in which articles are hall-marked'; and the *Indian Spectator* of 3 June 1888 had also described them as 'a barbarous impost' and 'fiscal zulum' (*VOI*, July 1888).

sal to do so, they declared, only exposed the double-dealing and selfishness of the rulers of India.[164] 'What can be more ridiculous', observed the *Dnyan Prakash* of 21 February 1884, 'than that England, preaching a free trade policy, should make herself liable to the application of the proverb of preaching philosophy to others and yet behaving oneself like a fool.'[165] Similarly, the *Amrita Bazar Patrika* of 27 March 1884 angrily declared: 'This they call free-trade. We call it foul play, not free trade.' And in its issue dated 3 June 1888, the *Mahratta* commented: 'The free trade policy of England is a sham and a farce.... The whole selfish policy is fully exposed and England's boasted liberality of views in the matter of trade is proved to be all humbug.'

Indian leaders also advanced certain other arguments in favour of their plea for the abolition of plate duties. They pointed out that these duties, unlike the cotton duties in India, were a purely protective measure, since the total revenue derived from them amounted to a meagre few thousand pounds a year.[166] They argued that the abolition of these duties would help Indian technique and trade.[167] Moreover, they urged, the increased export of silver plate would by providing an outlet

164. *Bombay Samachar*, 31 March (RNPBom., 1 Apr. 1882); *Rast Goftar*, 2 Apr., *Hitechchu*, 6 Apr., *Gujarati*, 2 Apr. (*ibid.*, 8 Apr. 1882); *Dnyan Prakash*, 24 Apr. (*ibid.*, 29 Apr. 1882); *ABP*, 22 Feb. 1883; *Sanjivani*, 29 March (RNPBeng., 5 Apr. 1884); *Sar Sudhanidhi*, 5 May (*ibid.*, 10 May 1884); *Samaya*, 12 May (*ibid.*, 17 May 1884); *Sadharani*, 15 June (*ibid.*, 21 June 1884); *Mahratta*, 13 Jan. 1884, 3 June 1888; J. U. Yajnik, *Rep. INC for 1885*, p. 66; *VOI*, July 1888; *Indu Prakash*, 4 June 1888; *Bengalee*, 9 June 1888; *Hindu*, 11 June 1888; *Indian Spectator*, 3 June, *Subodh Patrika*, 3 June, *Native Opinion*, 3 June, *Indian Nation*, 4 June, *Tribune*, 6 June, *Behar Herald*, 9 June, *Madura Mail*, 16 June (*VOI*, July 1888); *Nasim-i-Agra*, 30 May, *Bharat Varsha*, 1 June (RNPN, 5 June 1889); *Subodh Sindhu*, 5 June (*ibid.*, 12 June 1889); Ranchora Lal Chothe Lal, *Rep. INC for 1889*, p. 56. See also *VOI*, June 1889.

165. RNPBom., 23 Feb. 1884.

166. *ABP*, 22 Feb. 1883; *VOI*, July 1888; *Indu Prakash*, 4 June 1888; *Bengalee*, 9 June 1888; *Mahratta*, 3 June 1888; *Indian Spectator*, 3 June, *Subodh Patrika*, 3 June, *Native Opinion*, 3 June, *Indian Nation*, 4 June, *Tribune*, 6 June, *Madura Mail*, 11 June (*VOI*, July 1888); *Gujarat Darpan*, 21 Apr., *Behar Herald*, 27 Apr., *Gujarati*, 28 Apr., *Indu Prakash*, 29 Apr., *Tribune*, 15 May (*VOI*, June 1889).

167. *Mahratta*, 13 Jan. 1884; Wacha, *Rep. INC for 1889*, p. 56.

for Indian silver reduce pressure on the rupee and check its depreciation.[168]

X. CONCLUSIONS

The preceding examination of the Indian national leadership's attitude towards the different tariff measures adopted by the Government of India brings out four salient aspects of its tariff policy. Firstly, it was clearly a policy of granting protection to Indian industries, though not in an indiscriminate manner. Secondly, it furnishes another illustration of the national leadership's intense and undivided devotion to the cause of modern industry. Once again the interests of industry, and not those of commerce, were kept in the forefront. Moreover, the Indian leaders very consciously subordinated their interests as the middle-class consumers of foreign textiles and refined sugar to the larger interests of industrialisation of the country. In other words, they gave priority to the interests of Indians as producers over their interests as consumers. Interestingly enough, however, whenever Indian industries were thought to be uninvolved, as in the case of petroleum or, in the opinion of some of them, of sugar, the interests of consumers were pushed forward without any hesitation and restraint. Thirdly, they came to believe fully in the notions, which they then vigorously propounded and propagated, that the tariff policy of the Government of India was hampering the growth of Indian industries, that it was perhaps designed by the alien government to serve the interests of British manufacturers and that the Indian government was determined to preserve, as far as possible, for industries of Britain the growing internal market for manufactured goods, which was being created by the fast proceeding dissolution of the economic autonomy of Indian villages and destruction of indigenous handicrafts. Fourthly, not only did the tariff policy of the government awa-

168. *Mahratta*, 13 Jan. 1884; Wacha, *Rep. INC for 1889*, p. 56; Resol. VIII of INC for 1889.

ken their nationalism and make them see more clearly the political realities, but it was, in turn, utilised by them to arouse and educate the people politically, consolidate the growing nationalist feeling among them, bring the people all over the country closer together, and even train them in the arts of political agitation and struggle. Tariff policy was, in fact, one of those issues which were responsible for the rise of militant nationalism and anti-government feelings in the country during the period under study.

CHAPTER VII

Currency and Exchange

Public opinion in India is ripe for the adoption of decisive measures, that the stoppage of the coinage of silver would be generally approved.

— DESPATCH FROM THE GOVERNMENT OF INDIA, 1892

No proposal likely to affect in a similar manner the savings of the poor could be entertained for a moment in England; and it is possible to conceive that, if such a proposal was made in a poor continental country like Italy, the masses would rise in rebellion from one end of the Peninsula to the other.

— R. C. DUTT

One of the most important and controversial issues to arise in the realm of economic policy of the Indian Government during the period under study was that of the currency changes initiated by the closure of the mints to the free coinage of silver in 1893. What inexorably linked the subjects of currency and exchange in the economic history of modern India was the fact that these currency changes were induced not by some failure of the monetary functions of the rupee—for example, its insufficiency or redundancy—but by a fall in the exchange value of the rupee in terms of the pound sterling, and that the remedies applied by the government were also designed to redress just this one aberration, while completely ignoring the effects of the currency changes on the internal economic situation of the country.

Currency as such is indeed a vast subject—too vast to be treated here in its entirety. Exchange is no less a formidable topic. Fortunately, we are not here concerned with these two in their totality. It was the impact of the changes in Indian currency and exchange on the country's foreign trade, indus-

try, and finances, and on the economic well-being of the people that became an issue of controversy between the government and the nationalist leadership of India and that aroused a plethora of passions and strong nationalist feelings in the ranks of Indian public men. Consequently, the scope of the discussion in this chapter is confined to this particular aspect of the two allied subjects of currency and exchange.

I. OFFICIAL CURRENCY POLICY

The rationale of the currency policy of the Government of India during the last quarter of the 19th century has been exhaustively dealt with in the Reports of the Indian Currency Committee, 1893, and the Indian Currency Committee, 1898, and in many excellent books on the subject.[1] We therefore need only give here a very brief resume of the events and changes in the domains of Indian currency and exchange during the period under study.

Indian currency was put on silver standard by Act No. XVII of 1835; and the Coinage Act of 1870 made it mandatory upon the government to mint rupees on private account in exchange for silver bullion. This made Indian currency 'natural'; in other words, the value of the rupee was determined by the market price of silver and its exchange value with countries on gold standard by the gold price of silver. Since the latter remained more or less stationary until 1873, the exchange value of the rupee also remained stable during this period, hovering around 2s. But a major change began to occur in 1873 when the gold price of silver began to steadily decline all over the world—owing to certain causes into which we need not go here as they were extraneous to India—and, consequently, the

1. For example, we have relied for the brief narrative of Indian currency history that follows on J.C. Coyajee, *The Indian Currency System, 1835-1926* (Madras, 1930); H. L. Chablani, *Studies in Indian Currency and Exchange* (Bombay, 1931); C. N. Vakil and S. K. Muranjan, *Currency and Prices in India* (Bombay, 1927); D. K. Malhotra, *History and Problems of Indian Currency, 1835-1945* (Lahore, 1945, 3rd ed.); J. M. Keynes, *Indian Currency and Finance* (London, 1913, reprinted in 1924); Parimal Ray, *op. cit.*

rupee, which was freely mintable in exchange for silver, also began to depreciate in relation to currencies based on gold. In other words, Indian exchange with countries on gold standard —and England was at the time on gold standard—began to fall. Thus, while in 1872 the Indian rupee was worth nearly 2s., it exchanged for only 14.54d. in 1893-4.

The historic fall in Indian exchange came under a multi-pronged attack from various sources. It was assailed, first of all, for seriously hampering and harassing the Indian foreign trade, especially the import trade. The merchants engaged in foreign trade felt that the violent oscillations in the sterling value of the rupee were having a particularly pernicious effect on trade relations between England and India. Moreover, they complained, the uncertainty of exchange had imparted to foreign trade the character of gambling and speculation.[2] Another charge against the falling exchange was levelled and vigorously aired by English officials, civil and military, employed by the Government of India. They grumbled that, while they received their salaries in rupees, a large part of their expenditure for the maintenance of their families, education of their children, etc. had to be incurred in sterling. This imposed an undue loss on them and caused them acute pecuniary distress as they had to remit home a larger number of rupees to get the same number of sovereigns in exchange.[3] Another cardinal sin attributed to the decline in the sterling value of the rupee was that it discouraged and retarded the flow of British capital into India. This it did by depreciating,

2. Some people, both in England and in India, considered the falling rate of exchange to have been responsible for the rapid growth—nearly doubling —of India's foreign trade during the 20 years following 1873. But this view was, and has been, generally disbelieved. In any case, the mercantile community of India was convinced of the baneful character of the impact of falling exchange on their business. See also the *Report of the Indian Currency Committee*, 1893, paras 25-6; and *Financial Statements* for 1886-7 (para 2), and for 1891-2 (para 36).

3. Statement submitted by a deputation of European officers of the various services, civil, ecclesiastical, naval, and military, on 31 January 1893, to the Governor-General, *Indian Currency Committee*, Minutes of Evidence and Appendices, 1893, C-7060 II, app. I to Enclosure in 39.

or at least making uncertain, the gold value of profits and interest as well as of the capital itself. This check to the influx of British capital, it was declared, was hampering in particular the urgently-needed railway extension in the country.[4]

By far the most important objection to falling exchange came from the Government of India whose finances were acutely embarassed by it. The case of India in this respect was quite peculiar, for, while the Government of India collected its revenues in silver, it had to incur a large part of its expenditure in gold in England, mainly on account of the Home Charges. As the gold value of silver declined incessantly over the period 1873 to 1898, the Government of India had to pay ever-increasing number of rupees every year to meet its sterling liabilities. And, to make the matters worse, the latter itself went on increasing year after year. Thus was the notorious loss by exchange brought about. In other words, 'the difference between the actual number of rupees paid by the Government in any particular year, and the number of rupees which would have been required if the exchange value of the rupee had remained at the conventional rate of 2s. was considered to be the loss by exchange to the Government of India.' For example, in 1894-5 India had to pay 28.9 crores of rupees to defray the Home Charges amounting to £15.77 millions. If, however, the rate of exchange had continued to be what it was in 1872-3, the same sum would have involved the payment of 16.6 crores of rupees only. The difference, amounting to 12.3 crores of rupees, thus represented the loss by exchange. The seriousness of the situation can be easily imagined if it is remembered that this came to more than half of the total amount received by the government as land revenue in that year.[5]

The total loss due to fall in exchange during 1875 to 1898 was nearly 154 crores of rupees, the highest figure being reach-

4. Three successive Viceroys of India emphasised this point. Lansdowne, *Speeches*, Vol. II, p. 621; Elgin, *Speeches*, p. 489; Curzon, *Speeches*, Vol. II, p. 276. Also see *Report of the Indian Currency Committee*, 1893, para 28.

5. *Imperial Gazetteer of India* (1908), Vol. IV, p. 195.

ed in 1894.[6] To make up this loss, the government had to find year after year more and more money through retrenchment of taxation. The first method was, however, found to be infeasible. As a matter of fact, governmental expenditure increased with remarkable spurts during this period. Recourse had, therefore, to be taken to such widely unpopular measures or taxation, as the salt tax, the income tax, and enhancement of the land revenue. But in a poor agricultural country the scope for expansion of revenue by taxation was clearly limited. Any undue tax-burden on the peasantry was fraught with political dangers of 'the most serious order', especially as the new burdens would arise 'as a consequence of the foreign rule imposed on the country, and virtually to meet additions to charges arising outside of the country'.[7]

In addition, the violent and sudden fluctuations in exchange resulted in a great deal of financial uncertainty and harassment to the Government of India by bedevilling all their financial calculations and arrangements and making the Indian budget 'a gamble in exchange'.[8] Thus the fall in the gold value of the rupee became, for nearly a quarter of a century, 'the nightmare of Indian financiers' who desperately searched for ways and means to balance the budget. To them, it appeared that there were only two courses open to the government, either to stop the fall in exchange or to tread the unpopular road of additional taxation. There was, they felt, no other way out.[9]

Desperately did the Government of India search for expedients to arrest the fall in exchange. For many years it pinned its fondest hopes on an international bimetallic agreement which would fix the relative values of silver and gold. But

6. Vakil and Muranjan, *op. cit.*, p. 40.

7. Letter of Secretary of State for India to the Treasury, dated 26 January 1886, enclosure to *Despatch from the Secretary of State to the Government of India*, No. 6, dated 28 January 1886. Also see *Report of the Indian Currency Committee*, 1893, para 34.

8. See, for example, *Financial Statements* for 1883-4 (para 136), for 1886-7 (paras 1, 2, 13), and for 1893-4 (paras 28, 30, 31).

9. Lansdowne, *LCP*, 1893, Vol. XXXII, pp. 282-3.

when all attempts at concluding such an agreement broke down — the failure of the Brussels Conference in 1892 being the latest — the Government of India began to look favourably upon the proposal for changing the standard of currency from silver to gold. This proposal was also pressed upon the government at this time by the mercantile community of India, which was organised into chambers of commerce, and by the recently-formed Indian Currency Association.[10] The entire currency question as well as the proposals of the Government of India were referred to a committee presided over by Lord Herschell, then Lord Chancellor. In pursuance of the recommendations of this committee, the Government of India enacted on 26 June 1893 Act No. VIII of 1893 closing the Indian mints to the unrestricted coinage of silver on private account. Simultaneously, the government also issued notifications fixing 1s. 4d. to the rupee as the rate at which rupees or notes would be supplied to the public in exchange for gold coins and bullion and sovereigns and half-sovereigns would be received in payment of public dues. These measures were to be the first steps towards the eventual introduction of a gold standard in the country.

The main purpose of the action of 1893 was the enhancement of the gold value of the rupee to 1s. 4d. by reducing the quantity of rupees in circulation. Thus, the value of the rupee was to be divorced from, and raised above, the value of the amount of silver contained in it. The rupee was to lose its 'natural' or 'intrinsic' value and acquire an 'artificial' and enhanced value. Consequently, the purchasing power of the rupee would go up, or, in other words, internal prices would fall as a result of the contraction of internal currency.

10. G. W. Forrest, *Administration of the Marquis of Lansdowne as Viceroy and Governor-General of India: 1888-1894*, pp. 35-6. For detailed views of the Indian Currency Association see *Proceedings of the Public Meeting of the Indian Currency Association, 13 July 1892*; and Lansdowne, *Speeches*, Vol. II, pp. 518-20. For the opinion of the Indian merchants, see the address of the President of the Bengal National Chamber of Commerce at the 5th annual meeting of the Chamber, ABP, 29 May 1892; and S. B. Bharucha, *Speeches on Indian Economics* (Bombay, undated), pp. 2-9.

After a period of transition, during which the rate of exchange fell further till it reached 1s. 1d. for the rupee in 1894, the official currency policy achieved its desired object and the rupee began to rise steadily, even in the face of a further decline in the value of silver, till, in 1898-9, it nearly equalled 1s. 4d. At this stage, the Government of India felt that the time had come to carry through to its logical conclusion the policy of 1893. Another committee, with Sir Henry Fowler as Chairman, was therefore appointed to go into the question. The committee recommended the establishment of a gold standard with a gold currency and suggested various measures for the eventual realisation of this aim. Consequently, the value of the rupee was fixed at 1s. 4d. (by Act No. XXII) in 1899 and sovereigns and half-sovereigns were made legal tender at this rate. The rupee was thus made a token coin, though it still continued to remain unlimited legal tender. We are not concerned here with the later developments in the domain of Indian currency, and will therefore bring our narration to a close, except to take notice of two interesting developments. Firstly, what eventually came to prevail in India was not a gold standard with a gold currency but what is known as the Gold-Exchange Standard.[11] Secondly, a new era of stability of exchange and budgetary surpluses was now inaugurated in the monetary history of India. But this result was not the outcome of the closure of mints or the removal of the relative 'redundancy' of the rupees. In reality, rupees began to be coined again after a short time at so considerable a scale[12] that J. M.

11. 'The Gold-Exchange Standard may be said to exist when gold does not circulate in a country to an appreciable extent, when the local currency is not necessarily redeemable in gold, but when the Government or Central Bank makes arrangements for the provision of foreign remittances in gold at a fixed maximum rate in terms of the local currency, the reserves necessary to provide these remittances being kept to a considerable extent abroad' (Keynes, *op. cit.*, pp. 30-1).

12. The years of heavy coinage up to the First World War were 1899, 1902, 1903, 1904, 1905, 1906, 1911 and 1912, the net coinage of rupees during these years being 16.9 crores, 11.1 crores, 7.8 crores, 16.9 crores, 23.4 crores, 15.7 crores, 12.4 crores, and 16.3 crores respectively (Vakil and Muranjan, *op. cit.*, p. 408).

Keynes was led to remark that the Government had 'started on a career of furious coinage'[13] and the Indian leaders soon began to complain of a glut of rupees.[14] The truth was that the gold value of the rupee remained stable 'solely due to administrative measures' which the government was 'under no compulsion to undertake'.[15]

II. EARLY REACTION OF INDIAN LEADERSHIP

Indian nationalist reaction to the problems raised by the continuous fall in the gold value of the rupee was spasmodic and slow in coming. Many of the nationalist leaders did criticise the fall in exchange and looked upon it as a great calamity, especially because of the new taxes imposed as a result of the loss by exchange.[16] Most of them did not, however, grasp for a long time the full implications of the question, nor did they analyse it at length. There were, of course, a few nationalists who did not share this general lethargy.[17] For the sake of brevity, their opinions have been examined along with the later nationalist attitude, of which they were obvious precursors. But during the early years—up to 1892 to be precise—

13. Keynes, *op. cit.*, p. 133. He sarcastically added: 'They (the Government of India) framed their policy, that is to say, as though a community consumed currency with the same steady appetite with which some communities consume beer' (p. 134).

14. For instance, see Gokhale's Speech on the Budget for 1908-09, *Speeches*, pp. 177-80.

15. Keynes, *op. cit.*, p. 6.

16. S. N. Banerjea, *Speeches* I, p. 198; *Indu Prakash*, 7 Aug. (RNPBom., 12 Aug. 1876); *Bombay Samachar*, 5 May 1879, and 9 Nov. 1880 (*ibid.*, 10 May 1879, and 13 Nov. 1880 respectively); *Bengalee*, 11 June 1881; *Brahmo Public Opinion*, 23 June 1881; *Hindu*, 10 Apr. 1885; *Mahratta*, 23 May 1886; *Reis and Rayyet*, 29 May, *Liberal*, 30 May (VOI, June 1886); *Indian Spectator*, 18 July (*ibid.*, Aug. 1886); *Bharat Basi*, 23 Jan. (RNPBeng., 30 Jan. 1886); *Samaya*, 8 March (*ibid.*, 13 March 1886); *Sadharani*, 4 Apr. (*ibid.*, 10 Apr. 1886); *Sahachar*, 9 June, *Navavibhakar*, 14 June (*ibid.*, 19 June 1886); Naoroji, *Essays*, p. 374; *Hindustan*, 22 June (RNPPN, 26 June 1888). Surprisingly enough, G. V. Joshi was rather complacent about the fall in the gold value of silver; he was convinced that before long the law of supply and demand would redress the balance and, perhaps, even cause an upward movement in favour of silver (*op. cit.*, pp. 118, 128-9).

17. *Bengalee*, 11 June 1881; *Brahmo Public Opinion*, 23 June 1881; Naoroji, *Essays*, pp. 514-20; *Indian Spectator*, 18 July (VOI, Aug. 1886).

most of the Indian leaders confined their very vague remarks to making bare suggestions for (a) reduction of Home Charges;[18] (b) conversion of gold obligations into silver obligations;[19] and (c) adoption of international bimetallism.[20] A few of them even recommended the introduction of gold currency[21] and the stoppage of free mintage for private speculators.[22] Justice Ranade advocated a policy of letting things be and declared that 'the temptation of manipulating the currency must be resisted as involving a breach of faith, and tending to depress silver, and raise the rate of exchange.'[23]

III. NATIONALIST OPPOSITION TO CHANGES IN CURRENCY

The apathy of Indian national leaders towards the question of currency and exchange disappeared around 1892 when the agitation started by the British merchants and officials made it a burning topic of the day. The Indian leadership now recognised its full importance, as is borne out by the assertion of D.E. Wacha, the chief spokesman of Indian nationalism 'on

18. *Indian Spectator*, 17 Jan. (*RNPBom.*, 23 Jan. 1886); *Mahratta*, 4 Apr. 1886; *Indian Spectator*, 18 July (*VOI*, Aug. 1886); *Hindu*, 8, 11, 15 June, 4 Sept. 1889. According to the *Voice of India* of Aug. 1886, this was the general consensus of the Indian newspapers of the time.

19. *Indu Prakash*, 7 Aug. (*RNPBom.*, 12 Aug. 1876); *Indian Spectator*, 17 Jan. (*ibid.*, 23 Jan. 1886); *Samaya*, 17 March (*RNPBeng.*, 22 March 1884); *Indian Spectator*, 18 July (*VOI*, Aug. 1886); *Samaya*, 22 Oct. (*RNPBeng.*, 23 Oct. 1886). G. V. Joshi was once again an exception in this respect. He advocated the floating of sterling loans in place of rupee-loans because of the cheaper rates of interests that the former bore. He believed that it was nearly impossible for the fall in exchange to neutralise the gain in cheaper money (*op. cit.*, pp. 118, 128).

20. *Bombay Samachar*, 3 Dec. 1880, 31 March 1882 (*RNPBom.*, 4 Dec. 1880, 1 Apr. 1882 respectively); *Bengalee*, 11 June 1881; *Brahmo Public Opinion*, 23 June 1881; *Navavibhakar*, 5 Apr. (*RNPBeng.*, 10 Apr. 1886); *Sahachar*, 9 June (*ibid.*, 19 June 1886).

21. *Indu Prakash*, 7 Aug. (*RNPBom.*, 12 Aug. 1876); *Nyaya Prakash*, 6 Dec. (*ibid.*, 11 Dec. 1880); *Navavibhakar*, 12 Apr. (*RNPBeng.*, 22 May 1886); *Hindustan*, 22 June (*RNPPN*, 22 June 1888); *Sahachar*, 8 Apr. (*RNPBeng.*, 18 Apr. 1891).

22. *Indu Prakash*, 7 Aug. (*RNPBom.*, 12 Aug. 1876); *Brahmo Public Opinion*, 23 June 1881; *Mahratta*, 16 March 1884.

23. 'Mr. Fawcett's "Three Essays on Indian Finance",' *JPSS*, Vol. III, No. 1 (July, 1880), p. 80.

what may be called his own subject', before the Indian National Congress of 1892 that on the correct solution of the currency question 'entirely depends the economic salvation in the near future of a country so peculiarly circumstanced as ours'.[24]

At this stage, the attitude adopted by the Indian leaders was that of defending and fighting for the low and declining gold value of the rupee; and they continued to praise and press for a low exchange even after the Currency Acts of 1893 and 1899 had been passed. As a matter of fact, in view of its remarkable continuity over the years, the nationalist policy on the currency question before and after the adoption of the Currency Act of 1893 has been examined in this work as a single entity and therefore at one place.

The starting point of the nationalist approach was the belief that the heart of the matter was not the stability of exchange but the ratio at which the rupee should exchange with gold. The Indian leaders felt that various interests who advocated a high rate of exchange did so for selfish motives: the government wanted it to avoid the loss on its sterling payments resulting from a fall in exchange; government officials so as to be able to make larger remittances to England; and importers of European goods because otherwise they were being forced to compete with Indian products and thus operate with a comparatively low margin of profit. For these reasons, these people carried on a 'selfish and unscrupulous' agitation.[25] But, the Indian leaders firmly asserted, the interests of foreign merchants, foreign capital, and foreign officials should not—indeed, could not—be identified with the interests of the country; even the interests of the government and the people were not so related in India's case. And it was precisely the interests of the Indian people which had to be

24. Wacha, *Speeches*, p. 375.

25. Wacha, *Speeches*, p. 379; *Mahratta*, 4 Sept. 1892; *Dnyan Prakash*, 1 Sept.; *Hitechchu*, 1 Sept. (RNPBom., 3 Sept. 1892); *Gujarat Darpan*, 22 Sept. (*ibid.*, 24 Sept. 1892); *Vrittanta Patrika*, 13 Oct. (RNPM, 15 Oct. 1892); *Hindustani*, 22 June (RNPN, 29 June 1892); *Rahbar*, 8 July (*ibid.*, 27 July 1892).

regarded as 'the crucial test' in any discussion of the question.[26] Applying this criterion in practice, the Indian leadership firmly opposed the agitation, led by the Indian Currency Association in 1892 and readily supported by the Government of India, for the abandonment of silver standard, the closure of the mints, and the introduction of gold standard, all of which would lead to an artificial appreciation of the rupee.[27] This opposition also found expression in a mildly worded resolution passed by the Indian National Congress at its session of 1892.[28] It is of interest to note that the national attitude to the currency question was, wittingly or unwittingly, ignored and misinterpreted by the official authority in India, which reported to the Secretary of State on 21 June 1892 that 'public opinion in India is ripe for the adoption of decisive measures, that the stoppage of the coinage of silver would be generally approved. . . .'[29]

26. M. H. Vakil, *The Currency Problem in India and Sir David Barbour, the Anglo-Indian, and The Rupee* (Bombay, 1892), p. 2 (this was perhaps the first detailed examination of the currency problem by an Indian author); *Mahratta*, 4 Sept. 1892; *Gujarat Darpan*, 22 Sept. (*RNPBom.*, 24 Sept. 1892); R. C. Dutt in *Indian Politics*, pp. 51-2.

27. *Mahratta*, 4 Sept. 1892, 12 March 1893; *ABP*, 31 July 1892, 8 Feb. 1893; *Bengalee*, 4 Feb. 1893; M. H. Vakil, *op. cit.*, pp. 2 ff.; Wacha, *Speeches*, pp. 376-8, 387-90; Naoroji's Statement to the Currency Committee of 1893, *Poverty*, pp. 560 ff., and speech in the House of Commons, *Hansard*, 4th Series, Vol. IX, Columns 655-7; *Burdwan Sanjivani*, 14 June (*RNP Beng.*, 25 June 1892); *Dainik-O-Samachar Chandrika*, 13 July (*ibid.*, 16 July 1892); *Dnyan Prakash*, 1 Sept. (*RNPBom.*, 3 Sept. 1892); *Gujarat Darpan*, 22 Sept. (*ibid.*, 22 Sept. 1892); *Bombay Samachar*, 28 Oct. (*ibid.*, 29 Oct. 1892); *Advocate*, 10 June (*VOI*, 19 June 1892); *Vrittanta Patrika*, 13 Oct. (*RNPM*, 15 Oct. 1892); *Hindustani*, 22 June (*RNPN*, 29 June 1892); *Rahbar*, 8 July (*ibid.*, 27 July 1892; petition of the Indian Association to the House of Commons given in *Bengalee*, 18, Feb. 1893; *Banganivasi*, 17 Feb. (*RNPBeng.*, 25 Feb. 1893); *Bangabasi*, 18, 25 Feb. (*ibid.*, 25 Feb., 4 March 1893); *Himalah*, 10 March (*RNPP*, 18 March 1893); *Aftab-i-Punjab*, 29 May (*ibid.*, 10 June 1899). The same view had been put forth earlier also by Naoroji in 1886 in his *Essays*, pp. 518 ff; and by *Hindu* in its issue dated 4 Sept. 1889.

28. Resol. IV.

29. *Despatch from the Government of India to the Secretary of State for India*, No. 160, dated 21 June 1892. The assertion about public support for the official currency policy was also made, on equally false foundations, by Lord Elgin, *Speeches*, p. 51, and Lord Curzon, *Speeches* I, p. 118. More recently, Percival Spear has equally wrongly observed: 'The commercially interested members (of the Congress) from western India criticised the

The falsity of the official reading of Indian opinion was again revealed when, on the closure of the Indian mints in 1893, the nationalist newspapers raised a more or less unanimous voice against the measure and condemned it as being inimical to the interests of the Indian people, particularly to those of the manufacturers and agriculturists.[30] Later in the year, the Indian National Congress passed a resolution decrying the government action.[31] Introducing the resolution, D. E. Wacha censured the Currency Act of 1893 as 'a total jump in the dark' and 'a huge and inexcusable blunder'.[32] Another round of denunciations of what Wacha called 'the Crime of 1893'[33] followed in 1898 when the Government of India proposed the establishment of a gold standard with the value of rupee fixed at 1s. 4d.[34] Dadabhai Naoroji denounced the closure of mints as being 'illegal, dishonourable, and a despotic act', and asked for the abandonment of the gold standard.[35] R. C. Dutt also criticised the government's attempts at artificially raising the

government for failing to prevent the decline in exchange value of the rupee....', *India, A Modern History* (Ann Arbor, 1961, p. 312).

30. *ABP*, 29 June, 5, 6 July 1893; *Bengalee*, 1 July 1893; *Maharatta*, 2 July 1893; *Indu Prakash*, 3 July 1893; *Hindu*, 10 Aug., 12 Sept. 1893; *Gujarati*, 2 July, *Bombay Samachar*, 3 and 4 July, *Kaiser-i-Hind*, 2 July, 9 July, 20 July (*RNP Bom.*, 8, 15, 22 July 1893 respectively); *Arya Jana Priyan*, 8 July, *Kerala Patrika*, 8 July (*RNPM*, 15 July 1893); *Vrittanta Patrika*, 7 Sept. (*ibid.*, 15 Sept. 1893); *Hindustani*, 5 July (*RNPN*, 11 July 1893); *Hitavadi*, 29 June, *Dainik-o-Samachar Chandrika*, 2, 5 July (*RNPBeng.*, 8 July 1893); *Bangabasi*, 8 July (*ibid.*, 15 July 1893); *Himalah*, 14 July (*RNPP*, 29 July 1893); *Koh-i-Nur*, 29 July, *Taj-ul-Akhbar*, 29 July (*ibid.*, 12 Aug. 1893). The only exceptions were *Sahachar*, 28 June (*RNPBeng.*, 8 July 1893); *Banganivasi*, 7 July (*ibid.*, 15 July 1893); *Hindustan*, 8 July (*RNPN*, 11 July 1893).

31. Resol. XIV of the INC for 1893. The only delegate to take objection to the resolution and to favour the gold standard instead was Raja Rampal Singh, the proprietor of the newspaper *Hindustan* (*Rep. INC* for 1893, p. 133).

32. *Rep. INC* for 1893, pp. 128, 130-1.

33. Wacha, *Rep. INC* for 1898, p. 98.

34. *Kaiser-i-Hind*, 8 May, *Indian Spectator*, 8 May, *Dnyan Prakash*, 9 May (*RNPBom.*, 14 May 1898); *Kaiser-i-Hind*, 15 May, *Gujarati*, 15 May (*ibid.*, 21 May 1898); *Tohfah-i-Hind*, 13 March (*RNPN*, 23 March 1898); *Hindi Pradip*, May and June (*ibid.*, 13 July 1898). An exception was provided by *Akhbar-i-Am*, 24 June (*RNPP*, 9 July 1898).

35. Naoroji, *Poverty*, pp. 532, 545; and in *India*, 20 May 1898, p. 317, and 8 July 1898, p. 11.

value of the rupee as 'unnatural and desperate and dangerous',[36] and warned against the introduction of a gold standard.[37] The Indian National Congress too, once again, expressed its disapproval of 'any artificial device' for meeting the loss on account of exchange 'by changing the currency at a heavy cost or contracting the internal currency'.[38] D. E. Wacha was as vehement as ever in holding the Currency Act of 1893 responsible for 'all the economic evils from which the people at large and the banking and mercantile communities have suffered and are suffering since that event'.[39] Naoroji, Dutt, and others pressed, instead, for the reopening of the mints and for letting the rupee go down to its silver bullion price.[40] The Indian leaders also took exception to the composition of the Fowler Committee for not containing a single representative of Indian interests.[41] The recommendations of this committee and their aftermath, the Currency Act of 1899, were again criticised by the Indian leaders, though the old fervour was not in evidence perhaps because by this time the currency revolution had become an established fact.[42] Still, the Indian National Congress continued to give prominence

36. R. C. Dutt's evidence before the Currency Committee of 1898 in Dutt, *Speeches I*, p. 93.

37. *Ibid.*, pp. 76, 82, 91-3, 104. Also his letter to the *Manchester Guardian* reproduced in India, 11 Nov. 1893.

38. Resol. XIII of the INC for 1898. See also the comments of A. M. Bose, the President of the Congress for 1898 in *CPA*, pp. 424-5.

39. Wacha, *Rep. INC for 1898*, p. 98. Also p. 99.

40. Naoroji's letter to the Editor in *India*, 27 May 1898, and *Poverty*, pp. 530, 544; Dutt, *Speeches I*, pp. 103-4; *Kaiser-i-Hind*, 15 May (*RNPBom.*, 21 May 1898). The demand was later reiterated by Wacha, *Rep. INC for 1899*, p. 61; and J. A. Wadia, *The Artificial Currency and the Commerce of India* (Bombay, 1902), p. 127.

41. 'The Committee simply represents Anglo-Indians—official and non-official—and British capitalistic, commercial and banking interests.... And who would be the witnesses? the same Anglo-Indian officials and non-officials, and British capitalistic, commercial and banking interests' (Naoroji's letter to the Editor in *India*, 27 May 1898). Also see *Kaiser-i-Hind*, 8 May (*RNPBom.*, 8 May 1898); *Gujarati*, 15 May (*ibid.*, 21 May 1898); Resol. XIII of the INC for 1898.

42. *Hindu*, 12 July 1899; *Indian Spectator*, 16 July 1899; *Gujarati*, 16 July, *Kaiser-i-Hind*, 16 July (*RNPBom.*, 22 July 1899); Resol. IV of the INC for 1899; Dutt in *CPA*, p. 490; Wacha, *Rep. INC for 1899*, pp. 56-61.

to the question for many years afterwards. At its 17th session in 1901, it reaffirmed 'its protest against the Currency Legislation of 1893 which has artificially enhanced the value of the rupee by over 30 per cent'.[43] A similar resolution was again passed at its 18th Session.[44] Numerous public men also continued for several years to criticise the artificial appreciation of the rupee and its adverse effects on the welfare of the people.[45]

The nationalist disapprobation of the currency policy of the Government of India rested in the main on three grounds: (1) the beneficial character of the depreciating rupee; (2) the want of proof that currency was at the root of the financial difficulties of the government or the people; (3) the harmful effects of the appreciation of the rupee on the economic condition of the people. A detailed analysis of these grounds is presented below as it illuminates the basic postulates underlying the economic outlook of the Indian national leadership of the period under study.

IV. BENEFITS OF LOW EXCHANGE

Many of the Indian leaders believed that, considering the progress that Indian trade and industries had made since 1873, the silver standard with its falling rupee had served the needs of the Indian economy quite satisfactorily and that it was perhaps the best of all the currency standards that India might have adopted.[46] According to them, the chief merit of low ex-

43. Resol. XVII of the National Congress for 1901.

44. Resol. VI of the INC for 1902. Also see Resol. VIII of the INC for 1904.

45. A. M. Bose in *CPA*, pp. 424-5; Wacha in *CPA*, pp. 610-7; G. S. Iyer, 'The Viceroy on the Economic Condition of India', *HR*, June 1901, p. 44, and *EA*, p. 43; Gokhale, *Speeches*, pp. 10-11, 14, 76-7; S. N. Banerjea in *CPA*, p. 685; J. A. Wadia, *op. cit.*, pp. 95 ff., *Rep. INC for 1901*, pp. 175-7; V. D. Thakersay, *Rep. INC for 1902*, pp. 98-9; *Bengalee*, 19 Feb. 1903. Pherozeshah Mehta went to the extent of asserting in 1900 that it was 'the indirect impoverishment caused by the stoppage of the mints which perhaps intensified the inability of the people to stand the strain of the present famine' (*Speeches*, p. 604).

46. *ABP*, 1 Apr. 1886; *Hindu*, 4 Sept. 1889; M. H. Vakil, *op. cit.*, pp. 2, 21-2; *Dnyan Prakash*, 1 Sept. (*RNPBom.*, 3 Sept. 1892); *Gujarat Darpan*, 22

change lay in the encouragement it provided to Indian manufactures, particularly textiles, by giving them indirect protection against imports, which were made more expensive to the extent of the fall in exchange. 'The exchange discount acts like an import duty on all English goods;' wrote the *Mahratta* in its issue of 25 September 1892, 'and here again exchange has done what the Government of India ... has steadily refused to do.'[47] The *Hindu* of 4 September 1889 was even able to notice the fact that low exchange had enabled India to wrest the Chinese and Japanese markets from the English cotton textile manufacturers.[48] P. C. Ray saw another advantage in the situation: by making India 'a very uninviting place for English capital', the fall in exchange had created vast opportunities for enterprising Indian capitalists.[49]

Surprisingly enough, however, the nationalists did not advance at the same time, as one of the grounds on which they supported the silver-rupee, the argument that a low rate of exchange imparted a stimulus to exports by cheapening their price on world markets. As a matter of fact, some of the Indian

Sept. (*ibid.*, 24 Sept. 1892); *ABP*, 17 July 1892; *Bengalee*, 3 Sept. 1892; *Mahratta*, 25 Sept. 1892; *Hindu*, 22 Aug. 1893; Wacha, *Speeches*, p. 389; Wacha, *Rep. INC for 1899*, p. 56; Dutt, *EH II*, p. 578. Wacha told the Indian National Congress of 1898 that the existing currency was 'all right' and that it was 'a currency against which the people have never complained, currency which in the opinion of all sound experts is the most suitable and convenient to the people of India, and in every way beneficial to their material progress' (*Rep. INC for 1898*, p. 100).

47. The *Rafiq-i-Hind* of Lahore of 22 Feb. 1893 wrote: 'It has been remarked by a man of a religious turn of mind that as the Government desired to benefit England at the expense of India by remitting the import duties, God, the originator of political economy, set up the exchange question in order to counteract this device' (*RNPP*, 11 March 1893). Also *ABP*, 17 July, 11 Sept. 1892; *Dnyan Prakash*, 1 Sept. (*RNPBom.*, 3 Sept. 1892); *Gujarat Darpan*, 22 Sept. (*ibid.*, 24 Sept. 1892); *Bangabasi*; 25 Feb. (*RNPBeng.*, 4 March 1893); *Hindu*, 5 July 1895; Ray, *Poverty*, pp. 129-30. R. C. Dutt also was of the view that low exchange was favourable to Indian industries (*EH II*, p. 584). In fact, as early as 13 Feb. 1879, the *Brahmo Public Opinion* had opined that the real cause of the decline of Lancashire exports to India was the fall in exchange compared with which the relief granted by the repeal of cotton duties was very inadequate.

48. J. A. Wadia also made the same point in 1901 though in a different context (*op. cit.*, p. 127).

49. Ray, *Poverty*, pp. 129-31.

leaders — barring R. C. Dutt who recognised, though somewhat vaguely, that 'the export trade of India rather benefited than suffered by the depreciation of silver'[50] — even disclaimed that Indian exports had been stimulated by the fall in the rupee.[51] In any case, the most widespread tendency among them was to deny — as was consistent with their anti-foreign trade bias — that an impetus to exports of raw materials was at all good.[52] This lends strength to the view that the defence of the depreciated rupee by the Indian national leadership was not prompted mainly by their sympathies for the mercantile class and its interest in foreign trade. They also denied that, by getting more rupees for his produce, the peasant had benefited by the fall in the rupee. They pointed out that the prices of agricultural produce had not increased in India and had in many cases even declined.[53]

V. THE ROLE OF EXCHANGE IN INDIAN FINANCE

The second ground on which the Indian leaders objected to changes in currency was their contention that the fall in the gold value of the rupee did not lie at the root of the financial straits of the Government of India. They did, of course, note and deprecate the loss by exchange suffered by the Indian treasury — especially as the burden of this loss had to be borne ultimately by the Indian tax-payers — and wanted its

50. Dutt, *EH II*, p. 578. See also Memorial of the Industrial Association of Western India, 1892, *Indian Currency Committee*: Minutes of Evidence and Appendices, 1893, app. III, p. 338.

51. Joshi, *op. cit.*, pp. 626-7, 640; Naoroji, *Speeches*, p. 322; *Navavibhakar Sadharani*, 9 Aug. (RNPBeng., 14 Aug. 1886).

52. Naoroji, *Speeches*, pp. 322-3; *Hindu*, 10 Apr. 1885; *Gujarat Darpan*, 22 Sept. (RNPBom., 24 Sept. 1892); *Dainik-o-Samachar Chandrika*, 18 Oct. (RNPBeng., 22 Oct. 1892); Wacha, *Rep. INC for 1898*, pp. 101-02. The only good that the *Bangabasi* of 26 Aug. 1893 saw in the Currency Act of 1893 was that it would reduce grain exports (RNPBeng., 2 Sept. 1893). Also *Dost-i-Hind*, 4 Aug. (RNPP, 19 Aug. 1893).

53. Joshi, *op. cit.*, pp. 626-7; *Navavibhakar*, 25 Jan. (RNPBeng., 30 Jan. 1886); *Navavibhakar Sadharani*, 9 Aug. (*ibid.*, 14 Aug. 1886); *Mahratta*, 9 Oct. 1892; Wacha, *Rep. INC for 1898*, pp. 101-02.

complete cessation.[54] For instance, in 1886, Dadabhai Naoroji described the loss by exchange as 'disastrous to British India' and a grievous burden on the people. 'The "miserably poor" people,' he wrote, 'in addition to having to remit produce worth 140 millions of rupees at 2s. per rupee for home charges, have to remit another 70 millions or so worth more to take up the fall in exchange, say at 1s. 4d.'[55] The area of accord between the Indian leaders and the government, however, ended at this point, since they disagreed on the factors responsible for this evil and so on the nature of remedies to be applied. The Indians would not concede that this loss by exchange was the outcome of the fall in the gold value of the rupee. The source of evil, they said, lay somewhere else. In fact, there was remarkable coherence and unity of feeling among the Indian leaders on this aspect of the currency question; and their diagnosis of the true character of the disease and the required remedies occupied a crucial position in their entire currency policy. This diagnosis may be summarised as follows:

The crux of the whole problem was not the rate of exchange but the economic and political relations of India with England. It was not low exchange but the Home Charges which were responsible for the exchange-losses of the government. But for the compulsory remittances in gold by India to England, the fall in the gold value of the rupee could not possibly have affected the financial fortunes of the Indian government or the people. On the other hand, as long as the Home Charges existed, a mere change in currency would be of no avail.[56]

54. *Bengalee*, 11 June 1881, 3 Sept. 1892; *Brahmo Public Opinion*, 23 June 1891; Naoroji, *Essays*, pp. 514-5, in *CPA*, p. 177; Joshi, *op. cit.*, p. 640; *Mahratta*, 4 Sept., 9 Oct., 4 Dec. 1892, 12 March 1893; Ray, *Poverty*, p. 333; *Hindu*, 5 and 8 July 1895; Wacha, *Speeches*, pp. 379-80, *Rep. INC for 1898*, pp. 101-02.

55. Naoroji, *Essays*, pp. 515-6. Also p. 374.

56. Resols. XIII and IV of the INC for 1898 and 1899 respectively; Naoroji, *Essays*, pp. 514-7, *Poverty*, pp. 543-4, 560, 562; M. H. Vakil, *op. cit.*, p. 3; Wacha, *Speeches*, pp. 381-2, app. p. 12, *Rep. INC for 1898*, pp. 97-105; Dutt, *Speeches I*, p. 93, *EH II*, pp. 578, 585-7; Bombay Presidency Association's Memorandum, dated 27 Aug. 1886, *Second Annual Report of the Bombay Presidency Association—1886-7*, pp. 41-2; *ABP*, 1 Apr. 1886, 27

In this respect, many of the Indian spokesmen firmly believed in the classical monetary theory of international trade, that 'the monetary system operates in such a way that a country's balance of payments tends automatically towards a state of equilibrium'.[57] They repeatedly emphasised that apart from the loss on the payment of the Home Charges the fall in exchange would not in itself affect India's foreign trade because the latter would adjust itself automatically to the requirements of exchange, through the increase and decrease of prices.[58] Some other Indian leaders also pointed out that the very necessity of making compulsory payments abroad continuously for long periods forced the government to purchase sovereigns at any price, thereby depreciating silver and producing an adverse effect on the exchange.[59] This argument acquired greater force when the Indian rupee went off the silver standard. In 1899, Wacha

March, 17 July 1892, 9 Apr. 1893, 13 Feb. 1894, 29 Sept. 1898; *Mahratta*, 31 July, 9 Oct., 4 Dec. 1892, 12 March 1893; *Bengalee*, 4 Feb. 1893, 28 June 1898; *Hindu*, 10 Apr. 1885, 8, 15 June 1886, 22 Aug. 1893, 5, 8, July 1895; *Indian Spectator*, 18 July (VOI, Aug. 1886); *Behar Herald*, 18 Feb. (*ibid.*, 18 March 1894); *Paisa Akhbar*, 6 July (RNPP, 16 July 1898). This analysis was presented, though a little hazily, by S. N. Banerjea as early as 1879 and 1881. See S. N. Banerjea, *Speeches I*, p. 198; and *Bengalee*, 11 June 1881. To substantiate his argument, Dadabhai Naoroji quoted in his statement submitted to the Indian Currency Committee of 1898 the following extract from the Secretary of State's letter to the Treasury, dated 26 Jan. 1886: 'It need hardly be said that it is in consequence of the large obligatory payments which the Government of India has to make in England in gold currency that the fall in the exchange value of the rupee affects the public finances' (*Poverty*, p. 543).

57. Lloyd A. Metzler, 'The Theory of International Trade', *A Survey of Contemporary Economics*, Ed. by Howard S. Ellis (Philadelphia, 1948), p. 212.

58. Naoroji, *Poverty*, pp. 529, 531, 554-5, *Essays*, pp. 512, 516-7, and in *India*, 20 May 1888, p. 317; ABP, 1 Apr. 1886, 10 July 1892; *Hindu*, 11 June 1889, 5 July 1895. *The Amrita Bazar Patrika* of 17 July 1892 made a very neat point in this connection. Depreciation of the rupee, it wrote, would have normally led to increased exports and, consequently, increased imports of silver. This would have resulted in higher silver prices in India so that silver 'would have depreciated equally in India and abroad'. But this chain of economic cause and effect had been broken by the fact that India's export surplus was absorbed by the 'drain', with the result that the prices of its exports had actually fallen, causing loss to the country.

59. S. N. Banerjea, *Speeches I*, p. 198; *Brahmo Public Opinion*, 23 June 1881; Wacha, *Speeches*, p. 381; ABP, 8 Feb. 1893.

told the Bombay millowners that disturbances in exchange were themselves the product of India's adverse balance of trade as a result of its having to make payments abroad. He remarked: 'Be your currency anything, silver or gold, cotton or wheat, so long as these charges grow and grow, this so-called exchange difficulty will arise.... The difficulty lies with the Home Charges.'[60] He, as well as G. S. Iyer, also observed that this pressure of the Home Charges on exchange had gone unnoticed up to 1872, and even till later, because of the large loans raised in England for railways and other purposes.[61]

Basing themselves on the above-mentioned analysis, the nationalist leaders rebutted the official view that the loss by exchange was beyond control and that its remedy lay in two directions only, namely bearing it through increased taxation or counteracting it by appreciation of the rupee. According to them, there was another way out that was clearly indicated by the very diagnosis of the disease. Firstly, they maintained, if the fall in exchange was not the fundamental cause of the government losses by exchange, obviously changing the monetary system, as the government had proposed, would not improve matters.[62] Secondly, since the basic fault lay at the head of the Home Charges, the only effective cure of the disease was to introduce a fundamental change in the policy that had brought into existence, and constantly increased, the sterling liabilities of India. The chief and the only 'natural and proper' remedy, therefore, lay in abolishing or reducing the Home Charges or the 'drain' of wealth to England, or, at least, in converting a large part of sterling liabilities into silver obligations, so that *'pro tanto* so many less number of Rupees will have to be paid for the equivalent, which is the same thing as bringing greater relief to the Treasury'.[63] One of the surest

60. *Report of the Bombay Mill-owners' Association for 1898*, p. 90.
61. Wacha, *Speeches*, p. 381; G. S. Iyer, EA, p. 357.
62. Also, Naoroji, *Essays*, p. 517, and *Poverty*, pp. 543-4; *Mahratta*, 31 July 1892; *Bengalee*, 28 June 1898; *Kaiser-i-Hind*, 15 May (RNPBom., 21 May 1898).
63. Wacha, *Rep. INC for 1898*, pp. 101-02. Also, Naoroji, *Essays*, pp. 516-7, and *Poverty*, pp. 545-6, 576; Bombay Presidency Association's Memorandum, dated 27 Aug. 1886, *loc. cit.*; Wacha, *Rep. INC for 1892*, p. 84, and *Rep. INC*

ways of achieving this objective, felt the Indian leaders, was 'to carry on the administration of India, as far as it is consistent with efficiency, through the instrumentality of the children of the soil, whose pay and pensions have not to be defrayed in gold'.[64] Another method was to purchase an even larger share of the government stores inside the country.[65] Yet another remedy was for England to bear 'an equitable share' of the Government of India's expenditure in England.[66] In fact, some of the Indians welcomed the depreciation of the rupee and the loss by exchange in the hope that this would draw the attention of the government and the people to the problem of the drain and compel the former to take corrective steps.[67] The *Bengalee* of 3 September 1892 articulated this view quite distinctly:

> If the present state of things lasts for any length of time, it must lead to changes highly beneficial to the people of India.... The Home Charges must be curtailed, and the necessary articles must be found in the country.... If Government becomes a purchaser in the Indian market, what

for 1898, pp. 101-04; Dutt, *Speeches I*, pp. 93, 97-8, in *India*, 11 Nov., 4 Dec. 1898, p. 262, EH *II*, pp. 582, 585; *Brahmo Public Opinion*, 23 June 1881; *Mahratta*, 31 July, 28 Aug., 4 Sept., and 9 Oct. 1892, and 12 March 1893; *ABP*, 27 March 1892, 8 Feb. 1893, 13 Feb., 10 March 1894, 29 Sept. 1898; *Hindu*, 21 May 1894, 8 July 1895; *Petition of the Indian Association to the H. of C. 1893*, in *Bengalee*, 25 Feb. 1893; *Indian Spectator*, 18 July (*VOI*, Aug. 1886, p. 392); *Hindustani*, 22 June (*RNPN*, 29 June 1892); *Behar Herald*, 18 Feb. (*VOI*, 18 March 1894, p. 216); *Dnyan Prakash*, 9 May (*RNPBom.*, 14 May 1898); *Kaiser-i-Hind*, 15 May (*ibid.*, 21 May 1898).

64. Dutt, *Speeches I*, p. 93. Also Naoroji, *Poverty*, pp. 545, 575-6; Wacha, *Rep. INC for 1898*, p. 104; *Hindustani*, 24 Aug. 1892, 8 Feb. 1893 (*RNPN*, 31 Aug. 1892, 15 Feb. 1893 respectively); Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 25 Feb. 1893; *ABP*, 13 Feb. 1894; *Dnyan Prakash*, 9 May (*RNPBom.*, 14 May 1898); *Kaiser-i-Hind*, 16 July (*ibid.*, 22 July 1899); Dutt in *India*, 11 Nov. 1898, p. 262.

65. *Dnyan Prakash*, 1 Sept., *Hitechchu*, I Sept. (*RNPBom.*, 3 Sept. 1892); Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 25 Feb. 1893; *Dnyan Prakash*, 9 May (*RNPBom.*, 14 May 1898); *Tohfah-i-Hind*, 13 March (*RNPN*, 23 March 1898).

66. Resol. XIII of the INC for 1898; Naoroji, *Poverty*, p. 575.

67. The *Amrita Bazar Patrika* of 17 July 1892 wrote: 'The Exchange difficulty is an effort of nature, however feeble, to bring India to a condition of health. It is a protest against the unnatural drain to which India has been subjected.' Also *ABP*, 1 Apr. 1886; *Hindustani*, 24 Aug. (*RNPN*, 31 Aug. 1892); *Bengalee*, 4 Feb. 1893; *Naoroji in CPA*, p. 177.

> a stimulus would be imparted to Indian trade... (it) would stimulate Indian industry.

Moreover, it was felt, the fall in exchange would force a large number of Englishmen to stay at home and leave the Indian jobs to Indians.[68]

The Indian leaders denied that the purpose of the appreciation of the rupee was to save India from increased taxation or financial disaster. They argued that even if the Home Charges were not cut down radically and the loss by exchange had to continue it could be met from the existing financial resources and the normal increases in the revenues of the government and without fresh taxation.[69] They also maintained that though exchange was a disturbing factor it should not be looked upon as 'the lodging-house cat' or the *'deus ex machina'* of Indian finance, responsibility for whose disequilibrium should largely be ascribed not to the loss by exchange but to the disproportionate growth of the civil and military expenditure of the government, especially as it, in its turn, involved an increase in the sterling liabilities of India.[70] Hence, the true remedy of the situation lay in curtailment of expenditure, especially the military expenditure, and not in a change of the monetary system.[71] D. E. Wacha, in particular, pegged away at this idea and tried to prove, with the help of statistics, that increased military expenditure since 1884-5 had absorbed the whole of the fresh taxation during the period and that if the military expenditure was reduced

68. *ABP*, 17 July 1892; *Bengalee*, 3 Sept. 1892.

69. Wacha, *Speeches*, app. pp. 31, 41, in CPA, p. 617; Dutt, *Speeches I*, pp. 71-5, 103, *EH II*, p. 578.

70. *ABP*, 9 Apr. 1893, 15 March 1894; *Kaiser-i-Hind*, *Indian Spectator*, 11 March, *Indu Prakash*, 12 March (*RNPBom.*, 17 March 1894); P. Mehta, *Speeches*, pp. 445-6; Ray, *Poverty*, pp. 281-2; S. N. Banerjea in CPA, pp. 243-5; Wacha, *Speeches*, app. pp. 6, 16-19, *Rep. INC for* 1892, p. 84, *Rep. INC for* 1898, pp. 101-02, in CPA, p. 617; Nundy in *Indian Politics*, pp. 128-30; Dutt, *Speeches I*, p. 103, *EH II*, p. 583. Also Resol. III of INC for 1895.

71. *Hitechchu*, 1 Sept. (*RNPBom.*, 3 Sept. 1892); Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 25 Feb. 1893; *ABP*, 9 Apr. 1893, 29 Sept. 1898; *Bengalee*, 1 July 1893; *Behar Herald*, 18 Feb. (*VOI*, 18 March 1894); Naoroji, *Poverty*, pp. 539-40, 544; Dutt, *Speeches I*, pp. 93, 103-04; *Kaiser-i-Hind*, 15 May 1898, 16 July 1899 (*RNPBom.*, 21 May 1898, 22 July 1899 respectively.

'India would be able to pay its way without the wail of exchange'.[72]

Some of the Indian leaders further suggested that, even if all the existing factors had to be taken as unalterable, the exchange difficulty should be met 'by the imposition of a small import duty on all articles imported into India which are neither produced nor required by the mass of the population of India nor for the development of the country.'[73] This description fitted very well the cotton duties.[74]

In any case, the Indian leaders vehemently questioned the proposition that closure of the mints and appreciation of the rupee would give any relief to the government and the people by removing the need for new taxation. This plea was, they felt, nothing but juggling with economic facts. Changes in currency could not possibly do anything of the sort. On the contrary, by the currency legislation of 1893 and 1898, the people of India had been 'subjected to further indirect taxation of a burdensome and indefinite character'[75] to the extent of the enhancement of the value of the rupee, because the old taxes were now collected in an artificially appreciated rupee.[76] 'Closing of the mints, and thereby raising the true rupee, worth at

72. Wacha, *Rep. INC for 1898*, pp. 102-04. Also *Rep. INC for 1894*, pp. 132-3; *Speeches*, app. pp. 9, 31, 41, 43; in CPA, p. 617.

73. Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 25 Feb. 1893.

74. Naoroji in CPA, p. 177.

75. Resol. XIV. of the INC for 1893. Also Resol. XVII of the INC for 1901.

76. M. H. Vakil, op. cit., pp. 4, 19; *Mahratta*, 9 Oct. 1892, 2 July 1893; *Kaiser-i-Hind*, 9 July (RNPBom., 15 July 1893); ABP, 29 Sept. 1898; Wacha, *Speeches*, pp. 389-90, in CPA, pp. 611, 614; P. Mehta, *Speeches*, pp. 362, 574-5, 604; G. S. Iyer, *Rep. INC for 1898*, pp. 106-07, in HR, June 1901, p. 441, EA, pp. 120-1, *Rep. INC for 1904*, p. 175; Dutt, *Speeches I*, pp. 70, 76-7; EH II, pp. 458, 579-80, 596, 598, in *India*, 11 Nov. 1898; J. A. Wadia, op. cit., pp. 95, 129; Gokhale, *Speeches*, pp. 14, 75-77; V. D. Thakersay, *Rep. INC for 1902*, p. 99; *Kesari*, 31 March (RNPBom., 4 Apr. 1903). In fact, the Currency Committee of 1893 had accepted the soundness of this argument and had added: 'We are dealing with the assumption that the present ratio, or some ratio differing but little from it, is maintained. On this assumption, the present level of rupee prices would not be at once altered' (*Report*, paras 110-11).

present about 11d. in gold, to a false rupee to be worth 16d. in gold', wrote Dadabhai Naoroji in 1898, 'is a covert exaction of about 45 per cent more taxation all round from the Indian taxpayers.'[77]

To the Indian leaders, the handling of the currency question by the government smacked of a clever political manoeuvre which, by imposing indirect and hidden taxation, aimed at confusing the ignorant masses of the people, who would have resented any direct increase of the tax-burden.[78] Some of the national leaders would have preferred, on the contrary, direct taxation as the lesser of the two evils since, in that case, the poor taxpayer would have had 'to submit to such additional taxation only . . . as will be absolutely necessary to meet the deficit caused by the natural fall of exchange, instead of a concealed enormous enhancement of the *whole* taxation of the country'.[79]

Later, when budgetary surpluses began to occur after 1901, the national leadership once again started claiming that they were the products of the indirect taxation imposed by the currency legislation of 1893 and 1898,[80] and, recognising that a reversal of the currency policy was no longer 'within the pale of practical politics', demanded that these surpluses should be utilised for giving relief through tax-remission to the poor taxpayers who had had to bear the brunt of the currency legislation.[81] In this connection, G. K. Gokhale asked the very pertinent question that if

77. Naoroji, *Poverty*, p. 531. Also *ibid.*, pp. 529, 533-6, 545, 561-2; in *India*, 20 May 1898, p. 317, and *India*, 8 July 1898, p. 11.

78. Naoroji, *Poverty*, pp. 535, 537, 543, 557-8; *ABP*, 29 *Sept.* 1898; J. A. Wadia, *Rep. INC for* 1901, p. 176; G. S. Iyer, *Rep. INC for* 1902, p. 100, and *Rep. INC for* 1904, p. 175, and *EA*, p. 10; Dutt, *EH II*, pp. 585-6. Cf. *Report of the Indian Currency Committee*, 1893, para 112.

79. Naoroji, *Poverty*, p. 545. Also, M. H. Vakil, *op. cit.*, pp. 5-6; *Mahratta*, 9 Oct. 1892.

80. Wacha in *CPA*, p. 610.

81. Resol. VIII of the INC for 1904; Dutt, *EH II*, p. 596; Gokhale, *Speeches*, pp. 75, 77, *Rep. INC for* 1904, pp. 164-5, 168; P. Mehta, *Speeches*, p. 604; G. S. Iyer, *EA*, pp. 41-3.

such an impossible feat as that of raising the exchange value of the rupee without involving an indirect increase in the taxation of the country can be performed, what is there to prevent the Government of India from raising the rupee still higher—say, to 1s. 6d. or 1s. 9d. or even 2s.? The surpluses then would be even larger than now and as, according to Lord George Hamilton's argument, no harm is done to anybody in India by such artificial appreciation, there is no reason whatever why such a wonderfully easy and simple method of increasing the resources at the disposal of the Government should not be adopted.[82]

According to the more percipient of the nationalist economists, the claim that by appreciating the rupee the country saved on its remittances to England and thus diminished the drain on its wealth was even more preposterous—'a mere fiction of the imagination and an unfortunate delusion'.[83] They asserted that by unilaterally and artificially raising the gold value of the rupee India could not save a pie on its gold payments. After all, they pointed out, the Home Charges were met by sending abroad Indian commodities, the quantities required to be exported being determined by their gold prices in foreign markets and not by their rupee prices in India. In the recent past, India had been compelled as a result of the fall in the gold prices of all commodities to export larger quantities of its produce. As long as the gold prices of commodities did not go up, India would have to send abroad the same quantities of commodities as it did before, irrespective of the fact whether the Government of India procured this produce by imposing new taxes or by increasing the purchasing power of the old ones.[84] Dadabhai Naoroji was further of the view that this loss by exchange would not be avoided even if

82. Gokhale, *Speeches*, p. 76. A similar query was raised by V. D. Thakersay at the Congress Session of 1902 (*Rep. INC for 1902*, p. 99).

83. Naoroji, *Poverty*, p. 530.

84. M. H. Vakil, *op. cit.*, p. 19; Naoroji, *Poverty*, pp. 529, 531, 560-2, in CPA, p. 176, in *India*, 20 May 1898, p. 317; *Mahratta*, 4 Sept., 9 Oct. 1892; Wacha in CPA, p. 610, *Speeches*, p. 382; J. A. Wadia, *op. cit.*, p. 65; V. D. Thakersay, *Rep. INC for 1902*, p. 99; G. S. Iyer, *Rep. INC for 1904*, p. 175.

India had been on gold standard.[85] As a matter of fact, he observed, India's position was the same as that of any debtor in a gold-using country who had to pay a gold debt.[86] This did not of course mean, remarked Dadabhai, that the fall in exchange had not caused any loss to India. The loss was very much there; but it was the result of the higher value of gold; a change in the Indian currency could not mitigate this loss. 'It is a change in the value of gold that alone will save India, or will make her loss so much the greater.'[87] During the course of his examination by the Currency Committee of 1893 Dadabhai stated the nationalist position most lucidly. In answer to the question by Sir Thomas Farrer: 'You say that India is suffering from this fall in exchange, and you say at the same time that India would not gain by a rise in exchange?' Dadabhai answered:

> Oh, no, I did not say so at all. Oh, no; I never said that. I said India will gain or lose according to the value of gold; if gold fell, which means rise in exchange, of course, then India will have to send less produce, other circumstances being the same. If gold still rises higher, that is to say if exchange still went down, India will have to send still more produce.[88]

In fact, avowed some of the Indian leaders, the appreciation of the rupee would increase the drain of wealth from India because, while providing no relief on account of the sterling liabilities, it would enhance the value of the public debt in silver, most of which was held in England, to the extent of the appreciation of the rupee.[89] Similarly, they pointed out that the government measure would have the effect of raising the cost of administration in India as the salaries of all the officials,

85. *Indian Currency Committee*: Minutes of Evidence and Appendices, 1893, C-7060-II, Qs. 2353-4.
86. *Ibid.*, Q. 2371.
87. *Ibid.*, Qs. 2355-9.
88. *Ibid.*, Q. 2391.
89. *Mahratta*, 9 Oct. 1892; M. H. Vakil, *op. cit.*, p. 4; Naoroji, *Poverty*, p. 536; Dutt, Speeches I, pp. 88-90, in *India*, 11 Nov. 1898, p. 262, *EH II*, p. 581.

whether European or Indian, would have to be paid in the enhanced rupee, leading to 'a sweeping transfer of property from the working millions who create the wealth and make the prosperity of the empire to the tax eaters'.[90]

D. E. Wacha also drew attention to another harmful, though indirect, effect. India could afford to have a negative balance of trade with countries on the gold standard because of its positive balance with China and other silver-using countries. By reducing Indian exports to the Far East, the new Currency Act would render the task of making remittances to England even more burdensome than before.[91]

VI. HARMFUL EFFECTS OF APPRECIATION OF RUPEE

In addition to emphasising the futility of the currency legislation of the Government of India, the Indian leaders drew attention to the positive harm that it had actually done or was likely to do to the economic interests of the people, particularly those of the 'producers'.

First of all, they claimed that appreciation of the rupee had been 'prejudicial to the indigenous manufacture of the country'.[92] Some of them were also worried about the 'trading disadvantage' imposed upon the country by the changes in currency through their deleterious effects on the export trade of the country.[93] Invariably, however, their anxiety was only superficially about trade; in reality they were concerned only about industry. They were not really bothered by the adverse effects of the appreciation of the rupee on India's foreign trade

90. Wacha in CPA, p. 614. Also, *Mahratta*, 9 Oct. 1892; Wacha, *Speeches*, p. 390; Naoroji, *Poverty*, pp. 561-3; M. H. Vakil, *op. cit.*, pp. 4-7.

91. Wacha, *Rep. INC for 1893*, p. 131.

92. Resol. IV of the INC for 1899. Also Resols. XIV and XVII of the INC for 1893 and 1901 respectively.

93. Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 18 Feb. 1893; *Bangabasi*, 26 Aug. (*RNPBeng.*, 2 Sept. 1893); *Indian Spectator*, 8 May 1898; *Kaiser-i-Hind*, 15 May (*RNPBom.*, 21 May 1898); Resol. XIII of the INC for 1898. Wacha complained that India's trade in general had also been dislocated (*Rep. INC for 1893*, p. 131).

as a whole or even on export trade in its totality. Their wrath was primarily aroused by the prospects of Indian yarn exports to China and Japan suffering disastrously because of competition from manufactures of these two countries, which had either remained on silver standard or fixed a low ratio of exchange between silver and gold and which had thereby acquired a price-advantage over Indian manufactures.[94] In short, the Indian leaders were largely concerned about the fortunes of cotton textile industry for which the Eastern trade had assumed a vital importance by then.[95] They soon began to loudly bewail that as a result of appreciation of the rupee Indian textile industry had been crippled and disorganised.[96] For instance, G. K. Gokhale alleged in 1902 that cotton industry of India was 'in a state of dreadful depression, in large measure due to the currency legislation of Government';[97] and Ambalal Sakarlal Desai informed the Indian National Congress of 1904 that 'in the course of the last few years 20 mills in Bombay have gone into liquidation on account of the fall (*sic* rise?) in exchange with China.'[98] The nationalist position in this respect was succinctly summarised by V. D. Thakersay, himself a textile millowner, at the 18th session of the National

94. *Bombay Samachar*, 27 June, 3, 4 July (*RNPBom.*, 1 July, 8 July 1893); *Jame-Jamshed*, 27, 29 June, 1 July (*ibid.*, 1 July 1893); *Kaiser-i-Hind*, 2 July, *Indu Prakash*, 3 July (*ibid.*, 8 July 1893); *Gujarat Darpan*, 12 Oct. (*ibid.*, 14 Oct. 1893); Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 18 Feb. 1893; *ABP*, 23 July 1893; *Mahratta*, 2 July 1893; *Hindustani*, 5 July (*RNPN*, 11 July 1893); *Dainik-o-Samachar Chandrika*, 2 July (*RNPBeng.*, 8 July 1893); *Bangabasi*, 26 Aug. (*ibid.*, 2 Sept. 1893); *Bengalee*, 3 Feb. 1894, 28 June 1898; Wacha, *Rep. INC for 1893*, p. 130, in *CPA*, p. 612; Ray, *Poverty*, p. 11; J. U. Yajnik, 'Presidential Address at the 7th Bombay Provincial Conference', *JPSS*, Jan. 1895 (Vol. VIII, No. 3), p. 5; Dutt, *Speeches I*, p. 91; J. A. Wadia, *Rep. INC for 1901*, p. 177.

95. Wacha pointed out that most of the output of the Indian cotton textile industry was absorbed by China and Japan (*Rep. INC for 1893*, p. 130).

96. P. Mehta, *Speeches*, p. 362; *Bombay Samachar*, 4 July (*RNPBom.*, 8 July 1893); *Hindustani*, 5 July (*RNPN*, 11 July 1893); *Bengalee*, 3 Feb. 1894, 28 June 1898; Ray, *Poverty*, p. 11; Yajnik, 'Presidential Address', *loc. cit.*, p. 4; Wacha, *Rep. INC for 1893*, pp. 130-1, *Rep. INC for 1898*, p. 98, in *CPA*, pp. 612-4.

97. Gokhale, *Speeches*, p. 10. See also p. 11.

98. *Rep. INC for 1904*, p. 174.

Congress. Asserting that the spinning industry of the country had been passing through a terrible crisis for several years because of the recent currency changes, he opined that the enhancement of the value of the rupee had brought about a serious rise in exchange with silver-using China, and had thus bestowed an indirect advantage upon the Japanese textile industry—which did not suffer from any such handicap—*vis-a-vis* the Indian industry in the Chinese market. Consequently, Japan was able to meet more than one-third of China's demand. This led him to exclaim: 'I would not be surprised, if the day comes when Japan would hold the market all to itself as India once did.... It is this bounty of Rs. 20 per bale to our competitors in the Far East, that has contributed so materially to the ruin of our spinning industry.'[99]

Without entering into an examination of the correctness of the nationalist view, we may point out that this peculiar manner, adopted by the Indian leaders, of looking at trade through the extremely narrow glasses of the yarn trade, makes any criticism of their view—criticism that bases itself on the harm done to foreign trade by the depreciating rupee or on the benefits conferred on foreign trade by the currency policy of the government—quite irrelevant. Once it is conceded, as is done by most of their critics, that Indian exports of yarn to China and Japan were adversely affected, however partially, by the appreciation of the rupee,[100] the nationalist case becomes unassailable on the ground they had chosen to fight on. As a matter of fact, the nationalists themselves soon began to revise the one-sided assertion that the depression in the textile industry was

99. *Rep. INC for 1902*, p. 99. He was backed up by another mill-agent of Ahmedabad, Sorabji Karaka, who too asserted that the currency legislation had literally killed the mill-industry of the country (*ibid.*, p. 101).

100. See Parimal Ray, *op. cit.*, pp. 177-208. Ray, as well as many others, like Elgin (*Speeches*, pp. 489-90) and Curzon (*Speeches III*, p. 135), tried to prove that since 80 per cent or more of India's trade was with countries on gold standard, it was bound to gain by any stable relationship of the rupee with gold. The Indian leaders, however, were not concerned, as has been repeatedly emphasised by us, with the whole of the foreign trade. They chose to restrict their vision only to that tiny segment of it which was directly relevant to their efforts at the industrialisation of the country.

wholly due to the altered currency. For example, D. E. Wacha admitted in 1901 that other causes, like over-production, improvident management, and plague and famine, had also had some share in bringing about this depression. He did, however, reaffirm that the currency policy of the government had also been injurious 'though possibly not to the exaggerated extent alleged by the complainants'.[101]

On grounds similar to those advanced in the case of textile industry, the Indian leadership also pleaded the case of the tea and other plantation industries as needing a low exchange.[102] They were, however, not very enthusiastic about this part of their campaign. Perhaps they took it up only with the idea of getting the support of some English planters like Captain A. Banon, a tea-planter from the Kangra Valley.[103]

Interestingly enough, both Dadabhai Naoroji and D. E. Wacha, the two nationalist experts on currency problems, accused the Government of India of paying attention, while considering the currency question, to the needs of foreign trade only and completely ignoring the needs of the much more important internal trade that required abundance, and not stringency, of currency.[104]

The second most widespread ground for the nationalist attack on the changes of 1893 and 1898 was their deleterious effects on the cultivators, who, it was alleged, would have to bear the crushing burden of these changes[105] and who would be

101. Wacha in *CPA*, pp. 613-4. Also see *Mahratta*, 12 July 1903.

102. Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 18 Feb. 1893; *Bengalee*, 3 Feb. 1894; Resol. XVII of the INC for 1901; Wacha in *CPA*, p. 612.

103. Captain Banon seconded the Resolution on currency at the 8th session of the Congress (*Rep. INC for 1892*, p. 64).

104. Naoroji, *Poverty*, p. 562; Wacha, *Rep. INC for 1898*, pp. 100-01.

105. *Mahratta*, 4 Sept. 1892, and 2 July 1893; Memorial of the Industrial Association of Western India, 1892, *loc. cit.*; *Bombay Samachar*, 27 June (*RNPBom.*, 1 July 1893); Wacha, *Rep. INC for 1898*, pp. 101-02; R. P. Karandikar, *Rep. INC for 1893*, pp. 132-3; Naoroji, in *India*, 20 May 1898, p. 317; Dutt, in *India*, 11 Nov. 1898, pp. 261-2, in *CPA*, p. 490; P. A. Charlu, *LCP*, 1898, Vol. XXXIV, pp. 502-03; Resols. IV and XVII of the INC for 1899 and 1901 respectively; Gokhale, *Speeches*, pp. 14-5, 75, 111; S. N. Banerjea in *CPA*, p. 685; V. D. Thakersay, *Rep. INC for 1902*, p. 98; *Bengalee*, 19 Feb. 1903.

hard hit by the currency policy of the government in the following ways:

Firstly, the savings of the poor peasants and poor labourers —their chief provision against famine and other calamities— were to be mostly found in the shape of silver ornaments. The depreciation of silver as a commodity would all of a sudden lessen the value of these savings to the extent of the fall in the rupee price of silver.[106] Condemning the changes in currency as an attempt of the government 'to confiscate about a third of the poor man's savings in India', R. C. Dutt observed:

> No proposal likely to affect in a similar manner the savings of the poor could be entertained for a moment in England; and it is possible to conceive that, if such a proposal was made in a poor continental country like Italy, the masses would rise in rebellion from one end of the Peninsula to the other.[107]

G. K. Gokhale further pointed out in 1902 that the price of silver bullion had gone down even when the prices of other commodities had not.[108] In this connection, the *Amrita Bazar Patrika* and the *Mahratta* made the interesting suggestion that in order to right 'this great wrong', the government should 'purchase all the silver from the people at prices which prevailed before the closing of the mints, and pay them in gold'.[109] Secondly, the ryots as well as the other Indian poor were

106. Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 18 Feb. 1893; *Mahratta*, 2 July 1893; *ABP*, 5, 6 July 1893, 19 Sept. 1898; *Hitavadi*, 29 June, *Dainik-o-Samachar Chandrika*, 5 July (*RNPBeng.*, 8 July 1893); *Hindustani*, 5 July (*RNPN*, 11 July 1893); *Tohfah-i-Hind*, 13 March (*ibid.*; 23 March 1898); *Hindi Pradeep*, May, June (*ibid.*, 13 July 1898); a letter in *Akhbar-i-Am*, 17, 24 Aug. (*RNPP*, 11 Sept. 1897); *Paisa Akhbar*, 30 Apr., 2 May (*ibid.*, 14 May 1898); *Indian Spectator*, 8 Oct. (*RNPBom.*, 14 Oct. 1899); Dutt, *Speeches I*, pp. 85-8. in *India*, 11 Nov. 1898, p. 261, in *Indian Politics*, p. 52, in *CPA*, p. 490; *Hindu*, 12 July 1899; Resol. IV of the INC for 1899; Wacha in *CPA*, p. 615; G. S. Iyer, 'The Viceroy on the Economic Condition of India', *HR*, June 1901, p. 441; Gokhale, *Speeches*, pp. 14, 111, *Rep. INC for 1904*, pp. 163-4; A. S. Desai, *Rep. INC for 1904*, p. 174.

107. Dutt, *Speeches I*, p. 86.

108. Gokhale, *Speeches*, p. 14.

109. *ABP*, 19 Sept. 1898. Also *ibid.*, 6 July 1893; and *Mahratta*, 2 July 1893.

usually deep in debt. To increase the value of the rupee was to increase their indebtedness, or, in R. C. Dutt's words, 'to add to the profits of the prosperous classes who feed on the distresses of the poor, and to add to the weight of the millstone which the poor and indebted classes carry round their necks'.[110] Thirdly, the peasants would have to pay their land revenue in the artificially inflated rupee, which would mean that a peasant would now have to sell a larger quantity of his produce to procure the same number of rupees as before to meet his fixed assessment. In other words, the burden of hidden taxation involved in the forcing up of the rupee would be largely borne by the peasantry.[111] By the same logic, pointed out some of the Indian leaders, the burden of land rent, wherever it had to be paid in cash, had also increased.[112]

If the agriculturists and industrialists suffered as a result of the government's currency policy, who were its beneficiaries? The Indian leaders were convinced that in this particular instance the interests of India had been sacrificed not only to save the government from the necessity of imposing fresh taxation or retrenching its expenditure but also to help various

110. *Speeches I*, p. 81. Also Memorial of the Industrial Association of Western India, *loc. cit.*; *Petition of the Indian Association to the H. of C.*, 1893, in *Bengalee*, 18 Feb. 1893; *Mahratta*, 12 March 1893; *Hindu*, 28 June 1893, 12 July 1899; *ABP*, 26 July 1893; Naoroji, *Poverty*, pp. 531-2; Dutt, *Speeches I*, pp. 81-5, in *India*, 11 Nov. 1898, pp. 261-2, in *CPA*, p. 490; G. S. Iyer, *Rep. INC for 1898*, p. 107, in *HR*, June 1901, p. 441; Resol. IV of the INC for 1899; Wacha, *Speeches*, p. 390, *Rep. INC for 1899*, pp. 60-1, in *CPA*, p. 614; Gokhale, *Speeches*, pp. 14, 111; A. S. Desai, *Rep. INC for 1904*, p. 174.

111. Naoroji, *Essays*, p. 520, in *India*, 20 May 1898, p. 317, 8 July 1898, p. 11; Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 18 Feb. 1893; *Mahratta*, 12 March, 2 July 1893; *ABP*, 23 July 1893, 19, 29 Sept. 1898; *Kaiser-i-Hind*, 9 July (*RNPBom.*, 15 July 1893); *Hindustani*, 5 July (*RNPN*, 11 July 1893); *Bangabasi*, 8 July (*RNPBeng.*, 15 July 1893); R. P. Karandikar, *Rep. INC for 1893*, pp. 132-3; Dutt, *Speeches I*, pp. 77-9, 85; *Bangabasi*, 29 Jan. (*RNPBeng.*, 5 Feb. 1898); G. S. Iyer, *Rep. INC for 1898*, p. 107; *Hindu*, 12 July 1899; Resol. IV of the INC for 1899; Wacha, *Rep. INC for 1899*, p. 60, in *CPA*, p. 614, *Speeches*, p. 389; Gokhale, *Speeches*, pp. 14, 75, 111; V. D. Thakersay, *Rep. INC for 1904*, p. 174.

112. Wacha, *Speeches*, p. 389; Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 18 Feb. 1893; *ABP*, 23 July 1893; *Hindustani*, 5 July (*RNPN*, 11 July 1893); Dutt, *Speeches I*, p. 80, in *India*, 11 Nov. 1898, p. 261; Resol. IV of the INC for 1899.

European classes and groups in India or, in short, 'for the benefit of England'.[113] According to them, the appreciation of the rupee was designed, firstly, to result in an unearned increase in the salaries of the government officials, particularly of 'the army of British officials with which India is burdened'.[114] Secondly, the convenience of the foreign merchants had been kept in the forefront so that 'a handful of Englishmen may carry on their golden trade with serene equanimity and without any of those ordinary risks which traders undergo in every other part of the civilised globe'.[115] Thirdly, one of the underlying aims of the new currency legislation was to facilitate the influx of foreign capital into India.[116]

The nationalist argument, that the closure of mints would be harmful to the interests of the peasants, was based on the assumption—an assumption that was equally accepted by the government—that the resulting shortage of rupees would enhance the purchasing power of the rupee. But, except for a few years between 1893 and 1899, this fundamental assumption was not borne out by reality, particularly in the case of foodgrains. While the prices of manufactured goods and agricultural raw materials did fall immediately after the closure of the mints as predicted by the nationalists, the prices of food-

113. *Bombay Samachar*, 27 June (RNPBom., 1 July 1893); *Mahratta*, 2 July 1893; *Rahbar*, 8 July (RNPN, 27 July 1892); *Hindustani*, 5 July (*ibid.*, 11 July 1893); *Himalah*, 14 July (RNPP, 29 July 1893); Naoroji, *Poverty*, p. 534, in *India*, 20 May 1898, p. 317; *Hindi Pradeep*, May, June (RNPN, 13 July 1898); Wacha, *Rep. INC for* 1898, p. 101; *Hindu*, 12 July 1899; *Bengalee*, 19 Feb. 1903.

114. G. S. Iyer, EA, p. 121. Also M. H. Vakil, *op. cit.*, pp. 6-7; *Wacha, Speeches*, p. 390, *Rep. INC for* 1893, p. 130, *Rep. INC for* 1898, p. 101, *Rep. INC for* 1899, p. 56; *Hindustani*, 22 June (RNPN, 29 June 1892); Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 25 Feb. 1893; ABP, 29 June 1893; *Mahratta*, 2 July 1893; *Arya Jana Priyan*, 8 July, *Kerala Patrika*, 8 July (RNPM, 15 July 1893); Naoroji, *Poverty*, pp. 534, 561, in *India*, 20 May 1898, p. 317; J. A. Wadia, *op. cit.*, p. 96; Dutt, *Speeches I*, pp. 89-90.

115. *Kaiser-i-Hind*, 27 Aug. (RNPBom., 2 Sept. 1893). Also Naoroji, *Poverty*, pp. 534, 547, 561; *Bangabasi*, 8 July (RNPBeng., 15 July 1893); Dutt in *Indian Politics*, p. 52; G. S. Iyer, *Rep. INC for* 1898, p. 107, EA, p. 120; Wacha, *Rep. INC for* 1899, p. 56; *Bengalee*, 19 Feb. 1903.

116. G. S. Iyer, EA, pp. 120-1; *Hindu*, 12 July 1899; Wacha, *Rep. INC for* 1899, pp. 58-9; *Bengalee*, 19 Feb. 1903.

grains showed a noticeable decline from the level of 1893 only in the years 1894, 1895 and 1899.[117] While we are not concerned here with the different reasons responsible for this phenomenon, it is of some interest to observe the manner in which the nationalist leaders grappled with this belying of their basic postulate.

R. C. Dutt's retort to the assertion that the general price level had not gone down as a result of the currency changes was to affirm in 1898 that at least the prices of foodgrains had actually gone down and that was what mattered most to the agriculturists.[118] G. K. Gokhale, on the other hand, readily admitted in 1902 that general prices had not been quick in adjusting to the new rupee. But, in his opinion, the delay in such adjustment was due to non-economic causes, such as 'the force of tradition in a backward country like India' and the prevalence of famine conditions during the years 1896-1901, and various other extraneous circumstances. He had no doubt in his mind that these factors could not last for long and that 'there would be a general fall of prices sooner or later corresponding to the artificial appreciation of the rupee'.[119] According to D. E. Wacha, one such specific cause that had actually checked the fall of prices was the coinage of 14 crores of new rupees in 1901. This act of the government, he remarked in

117. Vakil and Muranjan, *op. cit.*, pp. 321-30; and Parimal Ray, *op. cit.*, p. 203.

118. Dutt, *Speeches I*, pp. 79-80, 89-90.

119. Gokhale, *Speeches*, p. 14. Also p. 75. A few years later in 1908, Gokhale discussed the problem at length: 'Really speaking, the artificial appreciation of the rupee by the currency legislation of the Government should have brought about, after things had time to adjust themselves on the new basis, a general fall in prices in this country. In the first few years after the closing of the mints to the free coinage of silver, this tendency was counteracted by a succession of famines and scarcities, and probably in a smaller measure by hoarded rupees having come into circulation. Latterly the general rise, which has taken place in the gold prices of commodities all over the world, has no doubt helped to raise prices in India... some light is thrown on the problem by an examination of our coinage statistics.... The stock of rupees in existence in India before 1898 was estimated by Mr Harrison, the Expert, at 130 crores. During the last ten years, the Government has made a net addition to this stock of over 100 crores. It seems to me that such a sudden inflation of the country's currency is bound to result in a general rise of prices' (*Speeches*, pp. 177-9).

1901, had not only demonstrated the fallacy of the theory that rupees were redundant but also allayed the stringency of money in the country.[120] Digressing here a little, we may point out that at least one nationalist observer, the *Bengalee* of 28 June 1898, was able to ignore the adage that 'nothing succeeds like success' and detect that the improved position of the rupee in relation to the sterling did not prove that the policy of the closure of the mints was a correct one or that this policy was even responsible for the improved exchange position of the rupee. This improvement was in fact due 'to the withholding of Council Bills from the market, and the constant borrowings of the Secretary of State, a very different thing from the natural operation of the Act of 1893'.[121]

The staunchest defence of the nationalist point of view came, however, from Dadabhai Naoroji. The main line of his defence was deceptively simple: he asserted that what actually happened to prices—whether they moved down or not—was really immaterial to the nationalist argument. He pointed out that, since prices were the result of a multiplicity of factors, 'the test of, or appeal to, prices for the effect of any particular individual factor is altogether fallacious'. For a correct economic analysis, it was essential that 'the real and full effect of the closing of the mints must be examined by *itself*, irrespective of other factors'. Viewed in this manner, it was obvious, contended Naoroji, that the proposition that the peasant had

120. Wacha in *CPA*, pp. 615-6.

121. This precocity is truly amazing if we keep in view the opposite belief expressed, though hesitantly, by the Fowler Commission. See *Report of the Indian Currency Committee*, 1898, para 58. The view expressed by the *Bengalee* was, however, to get confirmation later from J. M. Keynes (*op. cit.*, p. 6). Another Indian writer, who was, however, not a prominent nationalist leader, Runchorelal Chotelal, a millowner of Ahmedabad and a member of the Bombay Legislative Council, appealed to the government in 1894 to coin new rupees on its own account on the ground that once India went off the silver standard and the rupee became a token currency, scarcity or abundance of rupees could not affect or improve the exchange rate between India and England, which would then depend on the balance of trade of India. In fact, scarcity of rupees would, in these circumstances, tend to lower the value of the rupee by hampering industries and agriculture and, therefore, exports of the country (*Letters on Currency*, Bombay, 1895).

to pay a higher amount of revenue to the government as a result of the increase in the gold and silver value of the rupee was 'altogether independent of whatever the actual price of commodities may be'. If the prices did not go down in reality because of the operation of certain other factors, it only meant that in the absence of the currency changes and with the continued operation of these other factors prices would have gone up and the peasant would have gained to that extent. Thus by 'the covert device of the closing of the mints', the government had 'robbed away' the peasant of the benefit of these other 'fortunate factors'. This line of reasoning was presented by him in another way also: since the old rupee and the new rupee had different silver values—say 184 and 269 grains of silver respectively—there would always be a difference, irrespective of the actual price level, between the commodities commanded by these varying quantities of silver in a particular market and at a particular moment of time; and this difference would always represent the loss that the peasant suffered at any particular point of time due to the appreciation of the rupee.[122]

VII. POLITICAL IMPLICATIONS

A corollary of the nationalist point of view—that the Home Charges lay at the heart of the currency difficulties of the Government of India—was the belief that if India had been politically independent the currency problem would not have arisen at all.[123] In any case, once the problem had arisen, the Indian leaders felt that it should be dealt with in consultation with the Indian people and their representatives.[124]

When in spite of nationalist protest the mints were closed to private coinage in 1893 and steps were taken later for the

122. Naoroji, *Poverty*, pp. 532-4, and in *India*, 8 July 1898, pp. 10-11.

123. Naoroji in CPA, p. 177, *Poverty*, p. 560, and *Indian Currency Committee*, Minutes of Evidence and Appendices, 1893, C-7060-II, Qs. 2346-7; *Bengalee*, 11 June 1881; *Hindu*, 22 Aug. 1893.

124. Resol. IV of the INC for 1892; Dutt in *Indian Politics*, pp. 51-2, *Speeches I*, p. 91.

introduction of the gold standard in India, many of the Indian leaders drew the uncomfortable conclusion that in reality India was being ruled not in the interests of its people, but, as was well-summed up by the *Mahratta* in its issue of 12 March 1893, 'on the principle of Government of officials, by officials, and for officials'.[125] In 1898, R. C. Dutt bemoaned: 'It would seem, from the action taken by the Indian Government, as if India existed for the convenience of the Government of India and for the convenience of foreign traders. It would seem as if the happiness of the Indian nation was a "negligible quantity", and the opinion of representative Indians was superfluous.'[126] Dadabhai Naoroji was equally forthright in his statement submitted to the Indian Currency Committee of 1898:

> The fact seems to be that India is the vile body upon which any quacks may perform any vivisection, and try any cruel, crude, or rash experiments. What matters what is done to it?... India is our helot, she can be forced to pay everything.... The Government here dare not play such pranks with the tax-payers. In India the Government only thinks of the foreign 'interests' (official and non-official) first, and of the subjects afterwards, if it ever thinks of the subjects at all when foreign 'interests' are concerned.[127]

In fact, the very diagnosis of the currency disease made by the national leadership and the consequent remedies offered by them had deep political implications. To suggest that the Home Charges should be abolished or at least drastically cut down and that the military expenditure should be reduced was very much like asking the foreign rulers to start on the road to abdication. In any case, there can be no doubt that

125. After the enactment of the Currency Act of 1893, the *Mahratta* reiterated on 2 July 1893 that the measure had been passed 'without any regard to the interest of the masses in this country' and that 'it would be impossible to effect such a radical change and so easily in the currency of any other nation in the world'.

126. Dutt in *Indian Politics*, p. 52. Also see his *Speeches I*, p. 86.

127. Naoroji, *Poverty*, pp. 542 and 547.

the currency policy of the government was used by the Indian leaders as a whipping boy to arouse the nationalist fervour of the people. This becomes even clearer from a study of their attitude towards the Exchange Compensation Allowance.

VIII. EXCHANGE COMPENSATION ALLOWANCE

Even more than the main issue of currency reform, it was the secondary issue of the Exchange Compensation Allowance that aroused the full fury of Indian indignation and hostility and fanned the flame of Indian nationalism. The Exchange Compensation Allowance was the allowance that the Government of India agreed to pay in 1893 to its non-domiciled European and Eurasian officers in order to obviate the hardships suffered by them in their remittances to England on account of the fall in the gold value of the rupee. The allowance was granted up to such amount as would enable an officer to send to Europe half of his salary, subject to a maximum limit of £1000 a year, at the privileged exchange rate of 1s. 6d. per rupee. The allowance was paid whether any remittance was actually made or not.[128] It amounted to a virtual increase in the salary of these officials. The total expenditure on this account from 1893 to 1898 was nearly 5 crores of rupees, the maximum amount having been reached in 1895-6 when it amounted to nearly 1.33 crores.[129]

When the British officials initially put forward the demand for an exchange compensation allowance, the Indian leaders opposed it vehemently. Later, when the demand was accepted by the government, a storm of protest against the government action was raised which raged for years afterwards. In their condemnation of the allowance, the nationalists used very strong and pungent language; in particular, they gave vent to a feeling of near-hatred for the European officials. The type and degree—one might even say the quality—of indignation

128. *Home (Public)*, Nov. 1893, Prog. 315(A), para 1.
129. *Financial Statement*, 1896-7, para 104; Vakil, *op. cit.*, p. 33.

aroused by the measure and the fearlessness with which it was expressed by a leadership that was on the whole known for its moderation are well-brought out by the following, rather long, extract from a comment by the *Kaiser-i-Hind* of 27 August 1893:

> When impartial history comes to record her imperishable verdict on the conduct and administration of the British during the close of the nineteenth century, perhaps no part of it will merit a more scathing condemnation than that which has most ruthlessly inflicted on the helpless and voiceless people of this great country the cruel and crushing burden of maintaining a bureaucracy, as alien as it is unsympathetic, on a scale of extravagance which has no parallel in times ancient or modern. Mournful and interminable, indeed, is the catalogue of the financial wrongs and cruel spoliation by the Government of India from the days of Hastings to those of Lansdowne. But it would seem as if that catalogue were not long enough and heavy enough in all conscience. That the heap of the deeds of past injustice and wrongs should be swollen by fresh deeds of greater injustice and greater wrongs, to Lord Lansdowne was reserved that inglorious task. And who will say that he has not acquitted himself of it with unblushing audacity and reckless responsibility—audacity and responsibility for which, it is to be presumed, he will be rewarded with the highest step in the British peerage?... The Marquis of Landsdowne has rendered so many disservices to millions of the Indian subjects of Her Brittanic Majesty that no doubt Her Majesty will advance His Lordship in the peerage by offering him a Dukedom!... Who will grudge him the honour or dishonour of being the author of the amended Currency Act and the exchange compensation allowance... by which the harpies of the foreign tax-eaters are to be allowed to eat their cakes and have them, too, at the expense of the famishing tax-payers? Thus has Lord Lansdowne made his Viceroyalty memorable; and thus has he completed the circle of that unspeakable greed, territorial and financial, which Lord Lytton commenced and Lord Dufferin continued! Need we

> say that we burn with indignation at these daylight deeds of wrong and injustice, of spoliation and high-handedness, in the administration of the country? We burn to see the hands of retributive justice overwhelming the perpetrators of these un-Christian acts. We have no heart to enlarge on the theme. Altogether, a more barefaced act of spoliation was never before witnessed. It might put to the blush any Government having some conscience for the weal of its subjects. But it is to be presumed that because the British Indian Government is a Christian and honest Government, it has exclusive privilege of robbing Paul to pay Peter.[130]

The other nationalist newspapers also reacted equally strongly and used words like 'spoliation', 'cruel act', and 'plunder' to describe the grant of the Exchange Compensation Allowance.[131] The Indian Association of Calcutta and the Poona Sarvajanik Sabha sent memorials to the Government of India protesting against the measure.[132] An emphatic protest against the allowance was recorded by the Indian National Congress at its session held in 1893.[133] Subsequently, resolutions demanding the discontinuance of the allowance continued to find a place in the Congress programme for the next 10 years.[134] The public men of India joined in this chorus of condemnation of government action. For instance, Surendranath Banerjea described it as 'a crime and worse than a crime' and 'an unutterable shame'; and exclaimed: 'Call this a civilised, a Christian and a Righteous administration!'[135] Dadabhai Naoroji branded it as 'a heartless, arbitrary, and cruel exaction

130. *RNPBom.*, 2 Sept. 1893.

131. *ABP*, 22 Aug. 1893; *Hindu*, 25 Aug. 1893, 18 Apr. 1894, 16 June 1899; *Bengalee*, 18 Nov. 1893, 10 Feb., 10 March, 7 Apr. 1894; *Mahratta*, 27 Aug. 1893, 21 Jan. 1894; *Indian Spectator*, 27 Aug. 1893; *Indu Prakash*, 25 Sept. 1893; newspapers covered in the *RNPBom.* for 2 Sept., 30 Sept. 1893, *RNP Beng.* for 2, 9, 23 Sept. 1893, *RNPM*, 15 Sept. 1893.

132. Report of the Indian Association, 1829-3 to 1895-6, p. 34; and *JPSS*, Jan. 1894 (Vol. XVI, No. 3), p. 60.

133. Resol. XV of the INC for 1893.

134. Resols. XVI(1894), XVI(1895), XI(1896), IV(1897), XX(1898), XIV(1899), X(1900), XIX(1901), XIX(1902), and XIII(1903).

135. *Rep. INC for 1893*, pp. 133-5.

from the poverty of India, worse than Shylocky (sic!)—not only the pound of flesh of the bond, but also the ounce of blood'.[136]

The injustice of the Exchange Compensation Allowance was felt by the Indian leaders all the more keenly since the Government of India had thrown this additional burden on the exchequer at a time when the latter was already chronically embarrassed, new difficulties were looming on the horizon, and the country was being threatened with fresh taxation that soon came in the shape of custom duties.[137] In fact, it appeared as if the new taxes were the direct outcome of the grant of the Exchange Compensation Allowance and were imposed for the sake of the officials. This really amounted, according to the Indian leaders, to helping the European officials, who could afford to do with less, at the cost of the poor Indians, who were in no position to bear any additional burden and who 'toil and moil from morn to eve, without bread enough!'[138] This feeling was graphically expressed by Surendranath Banerjea while addressing the Indian National Congress of 1893. The poor of India, he remarked, would be 'stinted of their food, of their rice and of their salt, in order that the highly paid officials of the Government must be provided with their usual brandy,

136. Naoroji, *Speeches*, p. 344. Also, pp. 143, 462, in CPA, p. 176. Also see A. C. Mazumdar, *Rep. INC for 1895*, p. 143; Joshi, *op. cit.*, pp. 200, 219; Wacha, *Speeches*, Appendix pp. 17, 31; Gokhale, *Speeches*, p. 1190; Dutt, *EH II*, p. 578.

137. Resols. XV and XVI of the INC for 1893 and 1894 respectively; Memorial of the Indian Association, 1893, *loc. cit.*, p. 35; Memorial of the Poona Sarvajanik Sabha, 1893, *JPSS*, Jan. 1894 (Vol. XVI, No. 3), p. 60; *Indian Spectator*, 27 Aug. 1893; *Mahratta*, 27 Aug. 1893; *Kaiser-i-Hind*, 2 June (*RNPBom.*, 8 June 1895); Wacha, *Speeches*, app. pp. 17, 30; S. N. Banerjea in CPA, pp. 262, 701-2; A. C. Mazumdar, *Rep. INC for 1895*, pp. 140-1.

138. G. V. Joshi, *op. cit.*, p. 200. Also see, *ibid.*, pp. 199, 219; Naoroji, *Essays*, p. 517, *Speeches*, p. 144; *Gujarat Darpan*, 31 Aug. (*RNPBom.*, 2 Sept. 1893); Memorial of the Poona Sarvajanik Sabha, 1893, *loc. cit.*, pp. 63-4; *ABP*, 22 Aug. 1893; *Bengalee*, 18 Nov. 1893; *Swadesmitran*, 25 Aug. (*RNPM*, 15 Sept. 1893); Wacha, *Rep. INC for 1893*, p. 129; A. C. Mazumdar, *Rep. INC for 1895*, p. 143; Gokhale, *Speeches*, p. 1190; *Jami-ul-Ulum*, 28 May (*RNPN*, 2 June 1897); G. S. Iyer, *Welby Commission*, Vol. III, Q. 19027.

beef and champagne'.[139] Another commentator, the fiery *Jami-ul-Ulum* of N.W.P. and O., wrote: 'India can ill afford to pay even their salaries, while these *"dakaits"* demand something more.'[139a]

The national leadership also maintained that the Exchange Compensation Allowance was not only burdensome but also unjust and unnecessary. They asserted, first of all, that the European officials in India had not really suffered any appreciable loss on account of the fall in the gold price of the rupee, since the loss suffered in remitting money to England was amply offset by the fall in the gold prices of articles of consumption in England; or, in other words, as Dadabhai Naoroji put it as early as 1886, though in their remittances they got less gold, that gold had higher purchasing power in England.[140] Secondly, the Indian leaders held that the salaries of the officials were 'so excessively high, considering especially the great change that has taken place in the facilities and means of communication between England and India, that even with the fall in exchange they were high'.[141] Thirdly, the Indian leaders pointed out that the officials did not have a legal claim to this concession, since they were under contract to draw their salaries only in rupees.

139. *Rep. INC for 1893*, p. 135. At the Congress Session 1895, another delegate from Bengal, Puresha Chandra Roy, expressed similar sentiments. (*Rep. INC for 1895*, p. 145).

139a. 28 May 1897 (*RNPN*, 2 June 1897). *Dakait* means a highway robber.

140. Naoroji, *Essays*, p. 516; M. H. Vakil, *op. cit.*, pp. 12, 31-2; *Mahratta*, 25 Sept. 1892, 12 Feb. 1893; *Gujarat Darpan*, 22 Sept. (*RNPBom.*, 24 Sept. 1892); Petition of the Indian Association, 1893, in *Bengalee*, 25 Feb. 1893; Wacha, *Rep. INC for 1893*, p. 137, *Speeches*, Appendix pp. 17, 30; *Kaiser-i-Hind*, 2 June (*RNPBom.*, 8 June 1895). M. H. Vakil (pp. 32-6) and the *Kaiser-i-Hind* thought that a careful accounting might even show a clear balance of gain in favour of the officials.

141. Gokhale, *Speeches*, p. 1190. Also Joshi, *op. cit.*, p. 219; *ABP*, 27 March 1892, 11 Feb. and 22 Aug. 1893; *Mahratta*, 25 Sept. 1892; Petition of the Indian Association to the H. of C., 1893, in *Bengalee*, 25 Feb. 1893; Memorial of the P.S.S., *JPSS*, Jan. 1894 (Vol. XVI, No. 3), p. 64; *Gujarat Darpan*, 31 Aug. (*RNPBom.*, 2 Sept. 1893); *Hitavadi*, 25 Aug. (*RNPBeng.*, 2 Sept. 1893); Wacha, *Rep. INC for 1893*, p. 130, *Speeches*, Appendix p. 30; S. N. Banerjea in *CPA*, p. 263; P. C. Ray, *ibid.*, p. 145; A. C. Mazumdar, *Rep. INC for 1895*, p. 141; G. S. Iyer, *Welby Commission*, Vol. III, Q. 19,027; *Jami-ul-Ulum*, 28 May (*RNPN*, 2 June 1893). How different this attitude was from the stand taken by the English officials can be seen in the graphic delineation of the

It was, therefore, highly inequitable to drag in the ratio of exchange; after all, the officials had not declined in the past, and would certainly not decline in future, to receive the contracted salaries in rupees when the rupee had arisen, or were to rise, higher than 2s.[142] Moreover, remarked Gokhale, the government continued to pay the high rate of interest of 5 per cent to railway companies even though it could now borrow at the rate of 2½ per cent. 'If existing contracts are not to be disturbed in favour of the Indian Exchequer', he remarked, 'why should they be disturbed against it?'[143]

The Indian leaders further maintained that the government had not been very fair and above reproach in the actual award of the allowance. Firstly, the allowance should have been paid not upon half the salary whether sent abroad or not but only upon the amount actually remitted.[144] Secondly, it should have been given only to those officials who had joined service before the rupee started to fall heavily and not to those 'who accepted the rupee salaries with their eyes open'.[145] Thirdly, the government had indulged in an invidious race distinction by refusing to grant the allowance to those Indian officials who

latter's 'plight' by one of them, General Chesney, in 1894 in his *Indian Polity*, pp. 336-9. He wrote: 'Only if a man lived on rice and dressed in calico could he have met the fall in the rupee without loss.... The result is that the life of the junior officers in India, military and civil, has become one of *real poverty and hardship*' (Emphasis added) (pp. 337-8). He also sounded the warning that the English officials would be forced to yield to the many 'temptations' before them, unless something was done to improve the exchange.

142. Naoroji, *Essays*, p. 517, *Speeches*, pp. 143, 462; *Mahratta*, 25 Sept. 1892; Memorial of the Indian Association, 29 Sept. 1893, *loc. cit.*, p. 34; S. N. Banerjea, *Rep. INC for 1893*, p. 134, *S and W*, Appendix p. 47; Gokhale, *Speeches*, p. 1190; Wacha, *Speeches*, Appendix p. 30; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18638.

143. Gokhale, *Speeches*, p. 1190.

144. *Dnyan Prakash*, 31 Aug. (RNPBom., 2 Sept. 1893); Memorial of the Indian Association, 29 Sept., 1893, *loc. cit.*, p. 37; Memorial of the P.S.S., 1893, in *JPSS*, Jan. 1894 (Vol. XVI, No. 3), p. 65; *Bengalee*, 10 Feb. 1894; Naoroji, *Speeches*, p. 143; S. N. Banerjea, *Rep. INC for 1893*, p. 134, in CPA p. 262, and *S and W*, app. pp. 47-8; A. C. Mazumdar, *Rep. INC for 1895*, p. 143; Gokhale, *Speeches*, p. 1192; *Hindu*, 27 March 1899.

145. Gokhale, *Speeches*, p. 1192. Also, S. N. Banerjea in CPA, p. 262. *S and W*, app. p. 48; A. C. Mazumdar, *Rep. INC for 1895*, p. 143.

had to send money abroad for the education of their relatives.[146]

The Indian national leaders were quick in drawing political conclusions, particularly in regard to the purposes of British rule in India, from the entire episode. They accused the Government of India of 'trifling with the interests of the people and having been guilty of injustice to the interests committed to its care'.[147] They complained that while the most pressing of Indian sanitary, social, and administrative reforms had been kept in abeyance on grounds of financial stringency, the government had not hesitated to throw the unjust and unnecessary burden of the Exchange Compensation Allowance upon the Indian finances.[148] While there was no money for saving people's lives during famines, angrily wrote the *Amrita Bazar Patrika* in its issue of 22 August 1893, 'there is money enough to fatten the fatly-paid members of the services who are already fattening upon the fat of the Indian ryot!' G. K. Gokhale made a similar complaint:

> While the miserable pittance spent by Government on the education of the people has stood absolutely stationary for the last five years on the ground that Government has no more money to spare for it, here is a sum larger than the whole educational expenditure of Government given away to its European officials by one stroke of the pen![149]

The Indian leaders also complained that while the salaries of the highly paid British officials had been indirectly increased the miserably low salaries of the Indians, employed in govern-

146. Memorial of the Indian Association, 29 Sept. 1893, *loc. cit.*, p. 37; Naoroji, *Speeches*, p. 144; S. N. Banerjea, *S and W*, app. pp. 47-8; Dutt, *England and India*, p. 165.

147. S. N. Banerjea, *Rep. INC for 1893*, p. 134.

148. Memorial of the Indian Association, 29 Sept. 1893, *loc. cit.*, p. 35; *Bengalee*, 18 Nov. 1893; *Hitavadi*, 25 Aug., *Som Prakash*, 28 Aug. (RNPBeng., 2 Sept. 1893); *Sahachar*, 30 Aug. (*ibid.*, 9 Sept. 1893); *Samaya*, 15 Sept. (*ibid.*, 25 Sept. 1893); S. N. Banerjea, *Rep. INC for 1893*, p. 135, *S and W*, app. p. 48; A. C. Mazumdar, *Rep. INC for 1895*, p. 141; A.C.P. Naidu, *ibid.*, p. 343.

149. *Speeches*, p. 1192.

ment offices as clerks or ministerial officers, had not been improved.[150]

All this confirmed the view that India was being ruled entirely in the interests of England. In fact, cogitation over this point produced a great deal of bitterness. Dadabhai Naoroji's usual optimism deserted him as he wrote: 'But, of course, when European interests are concerned, legality and heart go to the winds; despotism and force are the only law and argument.'[151] Surendranath Banerjea commented with bitter irony:

> This Exchange resolution is the embodiment of a principle which Government has persistently followed and what is that principle? We are the children of the soil; we are the helots of the land, the hewers of wood and the drawers of water and we exist for the services, the Gods of the bureaucracy.[152]

The *Gujarat Darpan* of 31 August 1893 expressed its anger and frustration in the following words:

> Blessed be the memory of these protectors of millions who have sent their three hundred millions, whom they profess to protect with the kindness of a parent, to damnation! We cannot contain ourselves as the thought rushes upon the mind that the country is being plundered... to feed fat their few swans which are sent among their numerous flock of geese, to keep them, to edify them, to civilise them, to rule them, to kick them, and to kill them if necessary. God save us from our very friends![153]

150. *Dnyan Prakash*, 31 Aug. (*RNPBom.*, 2 Sept. 1893); *Akhbar-i-Am*, 30 Sept. (*RNPP*, 14 Oct. 1893); S. N. Banerjea in *CPA*, p. 263; Dutt, *England and India*, p. 165, and *EHII*, p. 578.

151. *Speeches*, p. 462.

152. He added: 'Illustrious men of Bombay, men of the Punjab, men of northern India, men of Bengal, let us combine, let us take a firm stand, and let us not rest till we have succeeded in convincing these gods of their inequities; let us not rest till we have disenchanted them of the illusion under which they labour, namely that the country is theirs and not ours' (*Rep. INC for 1893*, p. 135).

153. *RNP Bom.*, 2 Sept. 1893.

Many other Indian leaders made similar critical remarks about the light shed by the Exchange Compensation Allowance on the true nature of the British rule and the role of the British officials in India.[154]

IX. CONCLUSIONS

The foregoing review would support the conclusion that the Indian leaders, on the one hand, avowedly kept in the forefront the interests of the rising textile industry and the peasantry when determining their attitude towards the question of the low and falling exchange value of the rupee, and, on the other, completely ignored or even opposed in the process the interests of certain other groups and classes.

One such group consisted of the salaried Indians most of whom were employed by the government, the higher-paid among whom were consumers on a large scale of imported goods, and all of whom enjoyed fixed incomes. The closure of the mints and the resulting fall in prices in India were clearly to their advantage. The opposition of the national leadership to their interests was not only implicit and tacit but was sometimes expressed overtly and distinctly.[155] Similarly, the moneylenders were obvious gainers from the appreciation of the rupee. Here again, the national leaders not only showed no favour to the usurers but used the possibility of the latter's profiting from the changes in the currency as a major argument against the currency policy of the government. The nationalist attitude towards the effects of currency legislation on the moneylenders and the salaried officials is well summed up in the following extract from the address of D. E. Wacha to the 9th session of the Indian National Congress: 'The hard-working labourers,

154. *ABP*, 22 Aug. 1893; *Mahratta*, 27 Aug. 1893; *Gujarati*, 27 Aug. (*RNP Bom.*, 2 Sept. 1893); *Bangabasi*, 26 Aug. (*RNPBeng.*, 2 Sept. 1893); *Bengalee*, 18 Nov. 1893; Gokhale, *Speeches*, p. 1192; Joshi, *op. cit.*, p. 200; Dutt, *England and India*, p. 165.

155. Naoroji, *Poverty*, p. 562; J. A. Wadia, *op. cit.*, p. 96; Dutt, *Speeches I*, p. 90. Also see f.n. 90 above.

the over-taxed peasantry, are being impoverished in order that Government officials and usurers may fatten at their expense.'[156] Furthermore, they disregarded in practice the interests of the wage-labourers, whose wages would invariably lag behind prices in case of the latter's climbing up, and who would, on the other hand, certainly gain from falling prices for the same reason. Surprisingly enough, this correlation between the welfare of the wage-labourers and the poor peasants and prices was, in a different context, loudly acknowledged and asserted by the Indian leaders themselves;[157] it was, however, left out of their calculations when discussing the problems of currency.[158]

However, the most important Indian group to be by-passed and even opposed by the national leadership in the framing of its currency policy was that of the traders, particularly of traders engaged in the import of goods. This is very clearly and decisively brought out by the following factors:

(a) Firstly, as has been brought out earlier, the Indian leaders did not look upon the prosperity of foreign trade as one of the considerations to be kept in view while deciding upon the question of a correct currency policy for the country.[159]

(b) Secondly, the currency policy recommended by the Indian leadership was contrary to the demands put forth by a large section of the Indian merchants engaged in foreign trade and by their spokesmen. For instance, Rai Bahadur Dhanpat Singh sounded the following warning in 1892 in his presidential address at the 5th annual meeting of the Bengal National

156. *Rep. INC for 1893*, p. 128.

157. See Chapter I and Chapter IV.

158. The supporters of low exchange were chided for this inconsistency by S. B. Bharucha, an advocate of the gold-exchange standard, who sarcastically remarked in 1903: 'Why do these spinning mill agents wish the rupee to go to its silver value of 6d.? It is to despoil the labourer.... And are these the gentlemen who, while bent on despoiling the labourers, plead the cause of the poor ryots' (*Speeches on Indian Economics*, p. 26).

159. The only major exception being the *Sahachar* of Bengal, which had consistently supported the gold standard and opposed the low and fluctuating exchange, and which had offered the prosperity of the merchant and foreign trade as the *raison d'etre* of its stand. See, for instance, issues of 15 June 1892 (*RNPBeng.*, 22 July 1892), 28 June 1893 (*ibid.*, 8 July 1893), 21 Feb. 1894 (*ibid.*, 3 March 1894). Also *Akhbar-i-Am*, 24 June (*RNPP*, 9 July 1898).

Chamber of Commerce: 'The present rate of exchange is a death blow to commerce and if immediate steps be not taken to raise the value of silver the day is not far distant when we shall see total collapse of business and the winding up of many a respectable firm in Calcutta.'[160] When in 1892 the Indian Currency Association started its vigorous agitation for the closure of the mints and the adoption of gold standard, a large number of Indian merchants joined it as active supporters.[161] Seventy-seven leading merchants of Karachi memorialised the government in June 1892 and 674 merchants of Bombay in October 1892 for fixity of exchange on the ground that fluctuations in it tended to transform 'their legitimate transactions from safe business to purely speculative gambling'.[162] Sir Shapurjee Bharucha, a leading merchant and banker of Bombay, strongly advocated the cause of the closure of the mints and the adoption of the gold exchange standard on the ground that the falling rupee had seriously harmed India's foreign trade and checked the inflow of foreign capital.[163] Similarly, Jay Gobind Law, the doyen of Bengali merchants, pressed the government in 1898 to establish, above all, 'a practical fixity of exchange'.[164]

(c) Lastly, some of the Indian leaders went to the extent of even publicly expressing their hostility to the merchants engaged in foreign trade, most of whom were foreigners in any case, and advised them to 'take their chance' and not to grumble.[165] This antagonism is brought out expressively by the

160. *ABP*, 29 May 1892. Unfortunately, Reports of the Chamber for the years 1893 and 1894 were not available to me. But the trend of the Chamber's thinking can be discerned from the *Report* for 1897-8 wherein uncertainty of exchange was deplored and a demand was put forth for sufficient money in the market and for certainty of convertibility and of the ratio of such conversion.

161. *Papers Relating to Changes in Indian Currency System* (Government of India, 1893), pp. 60-4, 84-90.

162. *Ibid.*, pp. 25-7, 73-4. Also see *ibid.*, pp. 89-90.

163. S. B. Bharucha, *op. cit.*, pp. 2-9, 11-5, 22-32.

164. *LCP*, 1898, Vol. XXXVII, p. 513.

265. *Mahratta*, 25 Sept. 1892. Also *Bengalee*, 19. Feb. 1903.

following outpouring of Dadabhai Naoroji:

> On the top of all this comes the merchant with his agitation for the gold currency, that he may be saved, at the sacrifice of the ryot, from his risks of trade. The profits of trade are for his pocket, but risks of a commercial disturbance must be met by the ryot! The poverty-stricken ryot must protect the well-to-do trader! God save India![166]

The nationalist attitude towards the merchants engaged in foreign trade and their demands makes an interesting contrast with their attitude towards the textile manufacturers. Not only the currency policy of the Indian national leaders but also the very reasons advanced by them for arriving at it coincided with those put forward by the textile mill-owners of Bombay. This is clearly demonstrated by a perusal of the *Reports of the Bombay Mill Owners' Association* for the years 1893, 1898, 1899, 1900 and 1901 and the long interview with J. N. Tata published by the *India* in its issue of 1 December 1893. Indeed, the Indian National Congress threw open its platform to many a textile manufacturer to enable him to plead the case of his industry before the bar of Indian opinion. J. A. Wadia, Vithaldas D. Thakersay, Sorabji Karaka and Ambalal Sakarlal Desai were among the textile magnates attracted to the Congress fold for this reason.[167]

In fact, the loyalty of the Indian national leadership to the falling rupee is, in our opinion, to be explained largely, though not exclusively, by their whole-hearted and one-sided devotion to the single cause of industrialisation of the country through the agency of indigenous capital. It is true that their criticism of the harmful effects of the possible appreciation of the rupee on the peasantry had some validity, though

166. Naoroji, *Poverty*, p. 561. Also p. 547. He expressed similar sentiments when examined by the Indian Currency Committee of 1893, *Indian Currency Committee*, Minutes of Evidence and Appendices, C-7060-II, Qs. 2393-7. Similarly, J. A. Wadia avowed in 1901 that he would prefer 'a temporary loss inflicted on merchants rather than perpetuate the wrongs of the ryots' (*op. cit.*, p. 126). Also *Mahratta*, 4 Sept. 1892.

167. See *Rep. INC* for 1901, 1902, *and* 1904.

perhaps not as much as was claimed by them.[168] It is also true that the loss by exchange suffered by the government on account of the Home Charges was not really eliminated by the currency legislation of 1893 and 1899 but only transferred to the shoulders of the public, and that continuation of this loss in a direct form might have forced the government to take some much-needed steps towards retrenchment of public expenditure and the Home Charges. We suspect, however, that, ultimately, it was the clear and actual loss suffered by the textile industry of the country that really bothered the Indian leaders and that led them to take an uncompromising stand on the question, making them impervious to the pleadings of the government. The loss to Indian textile industry was of course immense. The industry was at the time largely dependent on the East Asian market for the consumption of its products.[169] For example, of the 430,472,000 lbs. of yarn produced by Indian mills in 1895-6, nearly 185,493,000 lbs. were exported, mostly to China.[170] In reality, the secret of the rapid rise of Indian textile industry after 1875 lay in the even more rapid growth of Indian textile exports.[171] It is also difficult to deny that low exchange did act as a sort of protection to Indian textiles both in India and abroad in the silver-using countries.[172] No doubt, the later history of the industry shows that, due to the inherent advantages of cheap labour and raw materials, it was able to continue its upward progress unchecked; this fact cannot, however, obliterate the reality that at that particular

168. R. C. Dutt was forced to accept as much when questioned before the Currency Committee of 1898. See Dutt, *Speeches I*, pp. 76-89.

169. Vakil and Bose, *op. cit.*, p. 128; Parimal Ray, *op. cit.*, pp. 179, 193-4.

170. *Statistical Abstract Relating to British India from* 1891-2 to 1900-01, Tables 129 and 200. We have taken the year 1895-6 because it is the first year for which such statistics are available in the Statistical Abstract.

171. *Indian Currency Committee*, Minutes of Evidence and Appendices, 1893, C-7060-II, app. II, p. 244; and Gadgil, *op. cit.*, pp. 71-2.

172. While exports of Indian yarn to the Far East multiplied manyfold during the years when silver and the rupee were falling, exports of English yarn to the Far East remained static (*Indian Currency Committee*, Minutes of Evidence and Appendices 1893, C-7060-II, app. II, p. 244).

juncture of time the future of the only major Indian-owned modern industry appeared to be in serious jeopardy on account of the currency policy of the government. This was conceded even by the official advocates of the currency policy of the government.[173] In fact, the Indian leaders agreed with the following line of approach suggested in 1893 by David Barbour, the Finance Member, for resolving the difficulty:

> The answer to these objections is that the question of the adoption of a gold standard must be decided not with reference to any one consideration, or to a limited number of consideration, but after a careful examination of all the circumstances of the case, and that we must decide where the balance of advantage lies and act accordingly.[174]

The crux of the wide difference between the two approaches to the question, the official and the nationalist, was to be found in the fact that 'the balance of advantage' lay for them in two opposite directions. While the official view was that 'if our trade with silver-using countries will be injuriously affected, our trade with gold-using countries will be beneficially affected in a corresponding degree; and the latter branch of our trade is much larger and more important than the former',[175] the nationalists believed that the trade with silver-using countries was, in spite of its smaller proportions, qualitatively of a higher kind than the trade with gold-using countries. Consequently, the Indian leaders would gladly sacrifice the latter for the sake of the prosperity of the indigenous textile industry which was linked, in their minds, with the long-range industrial development of the country.

As a matter of fact, for the sake of the industrial advancement of the country, the Indian national leaders were even willing — wittingly or unwittingly — to embrace a pet aversion of theirs, namely the drain, for it was obvious that a

173. D. Barbour, *LCP*, 1893, Vol. XXXII, pp. 274-5; J. Westland, *LCP*, 1894, Vol. XXXIII, p. 181.
174. *LCP*. 1893, Vol XXXII, p. 275.
175. *Ibid.*

depreciation of the rate of exchange led to a deterioration in the terms of trade or the prices at which India's exports exchanged for its imports, at least during the period of transition and till prices had adjusted to the new rate of exchange, both at home and abroad. The very economic logic that pointed to actual or potential potection to Indian manufactures against imports through the mechanism of a relative increase in the prices of imports also pointed to an adverse movement in the terms of trade which would last as long as the protective effect of the falling exchange lasted. Indeed, in a different context, the Indian leaders were quite worried, as has been shown in the Chapter on 'Foreign Trade', about the terms of India's international trade. Obviously, the Indian leaders were willing to bear this additional 'drain' in order to protect and encourage the nascent Indian industry, though the falling exchange was perhaps the costliest and the most awkward method of doing so.

This brings us to another aspect of the currency policy of the Indian leaders. To them goes the credit of seeing the peculiarly Indian aspect of the problem, namely, that India, being a politically dependent country,[176] had no control over its finances or its tariff policy; in the present context, this political subjugation had dual implications; it meant, firstly, that India did not have the power to grant tariff protection to its industries; and, secondly, that it had to pay the Home Charges. Low exchange was regarded by the Indian leaders to be the only remedy available to counteract these twin evils, since, on the one hand, it afforded protection to Indian industries, and, on the other, it would sooner or later force the government to reduce its Home Charges, first of all by the purchase of government stores in India and the employment of more Indians in the services. In any case, low exchange highlighted the problem of the Home Charges. If in both respects it was a costly

176. What Dadabhai Naoroji called 'the foreignness of the rule' (*Indian Currency Committee*, Minutes of Evidence and Appendices, 1893, C-706-II, Q. 2346).

remedy, the adoption of which would not be advised in normal circumstances, the Indian leadership perhaps felt that it was the only one available to a country so abnormally situated as India was.

CHAPTER VIII

Labour

> A larger death rate amongst our operatives is far more preferable to the collapse of this rising industry.... We can, after the manufactures are fully established, seek to protect the operators.
>
> —*Amrita Bazar Patrika*, 25 September 1875
>
> We have become so accustomed to the poverty, squalor, and degradation of these unfortunate classes that we have become callous, and our rulers, as well as ourselves, have no qualms of conscience at their condition, which is truly the result of the neglect and oppression of the higher classes of the community and of the state, during centuries.
>
> —G. SUBRAMANIYA IYER

The development of modern factories, mines, transport, and plantations resulted in the emergence during the second half of the 19th century of an entirely new class in Indian society, namely the industrial working class. Up to the year 1880-81, its size was as yet insignificant. In that year, cotton mills, jute mills and coal mines employed 47,955, 35,235 and 11,969 operatives respectively. By 1905-06, however, the dimensions of this new class had reached respectable proportions, at least in absolute terms. In that year, cotton mills, jute mills, and coal mines provided employment to 212,720, 144,879 and 89,995 persons, respectively. Nearly 700,000 workers were employed in modern factories, worked by mechanical power, alone.[1]

With the advent of modern industrialism and the accompanying capitalist system came all the evils that had earlier warped the lives of generations of English workers; and the early generations of the Indian men, women and children working in modern industries were subjected to as ruthless and

1. Theodore Morison, *The Economic Transition in India* (London, 1916), pp. 174-5.

revolting an exploitation as known to the modern man. The worst feature of early factory life in India was the long hours put in by the mill hands, there being no limit to the number of hours a factory could work. In the beginning, an average perennial factory worked daylight hours, that is '11½ hours a day, or 80½ hours a week, in the cold weather, and 14 hours a day, or 98 hours a week, in the hot weather'.[2] Later, from about 1887, when electric light was introduced in the factories, the daily hours of work were extended even further and ranged from 12½ to 16 in different localities; the worst sufferers in this respect were the weavers in Calcutta jute mills who worked from 15 to 16 hours.[3] The physical misery of the workers can be well-imagined if it is kept in view that in addition to working such long hours most of them had to spend two to three hours in walking to the mill and back.

There was, moreover, no regular and adequate system of rest periods to mitigate the harshness of such long hours of work. Some factory-owners did provide a rest interval, but it was wholly inadequate as it lasted only from 15 to 30 minutes; others 'made no stops but expected their hands to eat while tending their machines'.[4] Nor was such unremitting toil relieved by regular days of rest or holidays. The Bombay Factory Labour Commission of 1885 remarked that 'on an average only 15 holidays are given throughout the year in Indian factories, while in England besides 10 holidays there are 52 Sundays and 52 half Saturdays, making a total of 88 days altogether.'[5] The result was the complete physical exhaustion of the workers, who sometimes fell 'fast asleep on the mill floor

2. *Report of the Bombay Factory Labour Commission of 1885*, p. 5.

3. R. K. Das, *Factory Labour in India* (Berlin, 1923), p. 56; Buchanan, *op. cit.*, pp. 307-08. The long hours of work in Indian factories provoked the conservative *Times of India* to strongly condemn in its issue of 16 Sept. 1905 the employers for pushing on 'early and late, grinding the life's blood out of their (the workers') miserable hands in their insatiable lust for profits'. Quoted in Ahmad Mukhtar, *Factory Labour in India* (Madras, 1930), p. 31.

4. Buchanan, *op. cit.*, p. 312.

5. *Report of the Bombay Factory Labour Commission of 1885*, p. 8.

directly they had thrown the strap off their machines and before some of their fellow hands' were 'able to get out of the mill doors'.[6]

What was even worse, women also worked the same long hours as men until 1891, when the maximum hours of work for them were fixed at 11. The children working in the early Indian factories were treated no better. Until 1881 they had to work as long as men, with the result that they 'not uncommonly' dropped down 'from exhaustion between the alleys and passages of the machines'.[7] The Factories Act of 1881 limited the hours of work of children to 9 per day, defining a child as between 7 and 12 years of age! There were, however, 'many cases when the children worked as long hours as the men'.[8] The Factories Act of 1891 further reduced the working hours of children to 7 per day and raised their minimum and maximum age to 9 and 14 years respectively. But both these provisions were often violated in practice.[9]

From the beginning, conditions of work in the seasonal factories and small factories, like cotton gins and presses, were much more horrifying and shocking. The Bombay Factory Labour Commission of 1885 pointed out that in the ginning and press works of Khandesh, in which the majority of workers were women and children, the usual working hours were from 4 or 5 A.M. to 7, 8, or 9 P.M.; 'but when working at high pressure they work sometimes day and night for eight days consecutively until the hands are tired out and lose their health.'[10] It quoted long extracts from the evidence submitted to it giving a 'painful description' of the conditions prevailing in these industries and throwing light on 'the sad tale of great

6. Factory Inspector's Report, 1888, quoted in Buchanan, *op. cit.*, p. 310.

7. The Marquess of Salisbury's despatch to the Government of Bombay, quoted in A. G. Clow, *Indian Factory Legislation: A Historical Survey* (Calcutta, 1926) (being Bulletin of Indian Industries and Labour, No. 37), p. 2.

8. Das, *Factory Labour in India*, p. 59.

9. Das, *Factory Labour in India*, pp. 59-60; Buchanan, *op. cit.*, pp. 308, 311; Clow, *op. cit.*, pp. 29-30.

10. Report, p. 10.

want on one side and cruel cupidity on the other'.[11] One of the witnesses confessed that he had seen women labourers 'supplying the gins mechanically three parts asleep, and a child at the breast sucking one minute and throwing cotton into the machine the next'.[12]

The situation was made intolerable by the fact that the wages for such inhumanely long hours and back-breaking labour were paltry and wholly inadequate by any standards. The wages of men and women working in the cotton factories of Bombay ranged between Rs. 7 to 20 per month during most of this period.[13] In the smaller cotton gins and presses the wages ranged from 3 to 4 annas a day for nearly 18 hours of work.[14] Moreover—and this is of equal importance—with the growth of industries and the rise in labour productivity, there was practically no change in real wages.[15] And this at a time when industries 'were extremely prosperous, several mills having paid back the whole of their capital in four years'.[16]

What attention did the Indian national leadership—in general so deeply touched by the misery of the Indian people—pay to the multi-sided evils of modern industrial capitalism and the intense economic suffering and exploitation of this newly-emerging social class? This question is of special importance as it involved two opposing interests both of which were, at least partially, Indian and therefore national. Here was an instance of poverty, in its widest sense, which to some extent was the product of the greed of a section of the Indians themselves. Before the labour policy of the rising Indian leadership is

11. *Ibid.*, p. 13.
12. *Ibid.*, p. 12. Also see *ibid.*, pp. 11-3.
13. Das, *Factory Labour in India*, p. 139; Buchanan, *op. cit.*, p. 329.
14. *Report of the Bombay Factory Labour Commission of 1885*, pp. 12-3.
15. Buchanan, *op. cit.*, pp. 332, and 349-51; Das, *Factory Labour in India*, pp. 145-6, 152-3. Wadia and Merchant cite a table from Kuczynski's *A Short History of Labour Conditions in Great Britain and the Empire* (London, 1942) showing a continuous decline in real wages in Indian factories from 1880 to 1919, and conclude that 'Money wages up to the end of the first World War showed a fairly uniform tendency to rise; real wages on the other hand indicate a tendency to decline' (*op. cit.*, p. 372).
16. Report by James Jones, Factory Inspector, cited by Clow, *op. cit.*, p. 17.

examined at length, three important points deserve to be noted. Firstly, till the end of the 19th century, this policy did not develop independently, but emerged mostly as a reaction to the efforts of the Government of India at amelioration or regulation of the conditions of work of labour. Secondly, lack of comment concerning labour problems on the part of several sections of the Indian leadership is often as important for an analysis of their attitudes as direct and overt comment. Lastly, there was a marked difference in the nationalist approach towards labour employed in modern factories, most of which were in part or *in toto* owned by Indian capitalists, and labour working in wholly foreign-owned plantations and railways.

I. THE FACTORY ACT OF 1881 AND NATIONALIST REACTION

Surprisingly enough, the first impulse towards legislative action to mitigate the harshness of the evils of capitalist industrialism in India came from England, whose philanthropists and textile manufacturers joined hands to demand statutory protection for the health of the women and children employed in Indian factories.[17] As a result of the steady prompting, and ultimate direction, of the Secretary of State, who was in turn constantly prodded by the Members of Parliament and unofficial public bodies like the Manchester Chamber of Commerce, the Government of Bombay appointed on 25 March 1875 a Commission to investigate the conditions of work of the factory labourers in Bombay and suggest steps for their improvement.[18] The Commission could not arrive at any unanimous conclusions and its report was signed only by the President and one other member, Dr Blaney, who recommended the enactment of a simple law, providing for a working day of 12 hours, including one hour's rest, for adults, a weekly holiday, the prohibition of children under 8 from working in factories, and the limiting of the hours of work of children between 8

17. See Das, *Factory Legislation in India* (Berlin, 1923), pp. 5-11.
18. J. C. Kydd, *A History of Factory Legislation in India* (Calcutta, 1920), pp. 4-5; Clow, *op. cit.*, pp. 4-5.

and 14 to 8 per day.[19] The other 7 members of the Commission, 6 of whom happened to be, surprisingly enough, persons with financial stakes in the cotton industry, opposed any legislative interference in the working of the factories.[20] This gave the Government of Bombay a handle to decline to take any further action in the matter on the plea that a proper case for state intervention had not been made out and that in the existing circumstances such intervention was likely to do more harm than good to the growing industries of Bombay.[21]

The clamour in Britain for factory legislation in India was now intensified.[22] Moreover, it gained new strength from the activities of some Indian philanthropists in Bombay, the most prominent among them being Sorabjee Shapoorji Bengalee. He gave a fillip to the agitation for factory legislation by drafting a bill proposing to limit the hours of work of men, women and children to 11, 10 and 9 respectively, these hours to include one hour of rest.[23] The Government of India however refused him permission to move this Bill in the Bombay Legislative Council. Among other local philanthropic supporters of factory legislation was the *Dnyanodaya*, the missionary newspaper from Poona.[24] Simultaneously, there were faint stirrings within the working class itself. For example, in December 1879, Rughaba Succaram, who was himself a worker and who, according to D. Chaman Lall, emerged as the first Indian labour leader, organised a meeting of the mill-hands and submitted a memorial to the government, signed by 578 workers and asking for a working day of 9 hours and a weekly holiday.[25] Later,

19. Kydd, *op. cit.*, p. 9; Clow, *op. cit.*, p. 4.

20. Das, *Factory Legislation in India*, p. 15; Kydd, *op. cit.*, p. 5.

21. Das, *Factory Legislation in India*, p. 16. The Government, instead, offered the alibi that 'no complaints have been made to Government of oppression on the part of millowners either by or on behalf of the operatives' (quoted in Clow, *op. cit.*, p. 6).

22. Das, *Factory Legislation in India*, pp. 18-20.

23. *Ibid.*, pp. 16-7.

24. See, for instance, its issue of 15 Jan. 1880 (*RNP Bom.*, 17 Jan. 1880).

25. D. Chaman Lall, *Coolie* (Lahore, 1932), Vol. II, p. 78; and Clow, *op. cit.*, p. 9.

another memorial signed by 634 workers was presented by Balaji Ramchandra Facked.[26]

In consequence of the agitation in England and India and, at the same time, keeping in view the strong opposition put up by the capitalist interests in India, the Government of India introduced on 7 November 1879 a mild measure of legislation in the Council of the Governor-General of India. After many alterations and further dilution, the Bill was enacted on 15 April 1881 as the Indian Factories Act, 1881. The Act primarily dealt with the problem of child labour and fixed the minimum age of employment of children at 7 years; children between 7 and 12 years were not allowed to work for more than 9 hours per day; they were to be given a daily rest of one hour, exclusive of the 9 working hours, and 4 holidays in the month. The Act also provided for proper fencing of dangerous machinery and prompt reporting of accidents to the local government concerned. It was, however, made applicable only to factories utilising mechanical power, employing 100 persons or more, and working more than four months in a year. It also specifically excluded indigo factories and tea and coffee plantations from its operation.[27] Moreover, the hours of work of men and women were left unregulated.

Thus, the Indian Factories Act of 1881 was quite elementary and, for all practical purposes, innocuous. This was admitted in so many words by the government itself when its Officiating Secretary wrote in a circular to the local governments that 'In framing it, the most careful regard has been paid to the representations of the millowners and commercial and other associations. . . . Indeed, consistently with the objects in view, it would have been scarcely possible to frame a more moderate measure.'[28]

The nationalist reaction to the early agitation for factory legislation and the eventual enactment of the Indian Factories

26. Clow, *op. cit.*, p. 11.
27. Act. No. XV of 1881.
28. Quoted in Kydd, *op. cit.*, p. 21.

Act of 1881 was almost entirely confined to the Bombay Presidency—though justifiably so as the entire controversy on the subject primarily related to Bombay cotton mills—and was on the whole indifferent or hostile to the efforts being made to ameliorate the conditions of work of the factory workers. It may be noted, for example, that most of the important nationalist leaders of the Bombay Presidency, e.g., Dadabhai Naoroji, M. G. Ranade, K. T. Telang, and Pherozeshah Mehta, as well as those of the other Presidencies failed to express themselves on the problems and sufferings of the new proletarian class which was then emerging. V. N. Mandlik, a leading public man of Bombay, who was a member of the Bombay Factory Commission of 1875, loyally voted with the majority against any enactment in favour of labour. The younger leaders like Tilak, Agarkar, and Chandavarkar of Bombay and S. N. Banerjea and the Ghose brothers, S. K. Ghose and Moti Lal Ghose, of Bengal were equally insensitive, and even opposed, to the cause of labour, if the editorial comments of, or the absence of such comments in, the *Mahratta* and the *Indu Prakash* of Bombay and the *Bengalee* and the *Amrita Bazar Patrika* of Bengal, of which they were the respective editors at the time, may be taken to represent their personal views.

In so far as the Indian newspapers were concerned, only a few —to be exact four—newspapers of Bombay wrote in support of the workers. Pleading for an Indian law similar to the British Factory Act of 1874, the *Akhbare Sowdagar* of 24 November 1874 wrote: 'The millowners take advantage of the poverty of these people, and work them mercilessly. The work people ought to have at least one holiday in the week, and their working hours should be from 7 A.M. to 5½ P.M.'[29] The *Lok Mitra* of 29 December 1878 criticised the millowners for being 'blinded by their own interests' and urged the government 'to make a reasonable decrease in the number of hours'.[30] The *Rast Goftar* of 29 December 1878 and 19 January gave full backing

29. RNP Bom., 28 Nov. 1874.
30. *Ibid.*, 4 Jan. 1879.

to S. S. Bengalee's draft Bill.[31] This paper in its issues dated 7 December 1879 and 7 November 1880, along with the *Indian Spectator* of 7 November 1880 and the *Akhbare Sowdagar* of 22 March 1881, supported the Factory Bill moved by the government.[32] However, even these few supporters, who were moved entirely by feelings of pity and humanity, tended to desert the field immediately after. The *Lok Mitra* became an opponent of labour legislation in 1879 itself.[33] The *Indian Spectator* had already opposed, on 7 November 1880, 'undue interference with adult labour or the internal economy of the mills',[34] even when expressing itself in favour of the official Bill; next year, it too moved into the camp of the opposition.[35] Even the *Akhbare Sowdagar* occasionally wobbled in its support of factory legislation.[36] Only the *Rast Goftar* remained true to the cause of labour up to the end.[37] And only one newspaper of Bengal, the *Som Prakash*, favoured the passage of the Factories Act of 1881.[38] Among public bodies, the Poona Sarvajanik Sabha was the only organisation to advocate the introduction of a weekly holiday and the limitation of hours of work of adults, though it criticised at the same time the draft Bill of 1879.[39]

On the other hand, an overwhelming majority of the Indian newspapers vehemently denied the need for any factory legislation and stoutly opposed and condemned any attempt to place on the statute book an 'un-called for law' on the subject. In 1875 the *Jame-Jamshed*, the *Bombay Samachar* and the *Arunodaya* objected to the appointment of the Bombay Factory Com-

31. *Ibid.*, 4 Jan. 1879, and 25 Jan. 1879 respectively.

32. *Ibid.*, 13 Dec. 1879, 13 Nov. 1880, 2 April 1881 respectively.

33. 26 Jan. (*ibid.*, 1 Feb. 1879), and 23 Nov. (*ibid.*, 29 Nov. 1879).

34. *Ibid.*, 13 Nov. 1880.

35. *Ibid.*, 26 March 1881.

36. *Ibid.*, 22 Nov. 1879.

37. This was, perhaps, due to the fact that S. S. Bengalee was one of its proprietors.

38. 28 March (*RNP Beng.*, 2 Apr. 1881).

39. Clow, *op. cit.*, p. 9.

mission on the ground that there was no need for it.[40] When S. S. Bengalee brought forward his draft Factory Bill in 1878, the nationalist newspapers of Bombay and other provinces expressed strong disapproval of the measure.[41] The *Brahmo Public Opinion* of Calcutta, the spokesman of the radical and reformist section of the Brahmo Samaj, also expressed on 27 February 1879 the view that protective legislation for factory workers was not at all necessary. The *Amrita Bazar Patrika* of 16 March 1880 also in its usual way poured ridicule over Bengalee's efforts.

The introduction of the official Factory Bill in the Legislative Council in November 1879, the consequent deliberations by a Select Committee and the Council, and the eventual enactment of the Factories Act in 1881, were greeted with a roar of disapproval by the Indian Press. Such leading nationalist and pro-social reform newspapers as the *Indu Prakash* (22 March 1880, 21 March 1881, and 4 Aug. 1884), the *Gujarati* (28 Nov. 1880, and 27 March 1881), the *Indian Spectator* (20 March 1881), the *Native Opinion* (27 March and 19 June 1881), and the *Dnyan Prakash* (30 June 1881) protested against the measure.[42] An article in the otherwise sober *Quarterly Journal of the Poona Sarvajanik Sabha*, which served at this time as the tribune of the patriotic people of Bombay, declared that there was not 'the least justification for a legislative enactment to regulate factory labour'.[43] The *Mahratta*, edited at the time by B. G. Tilak, lodged a strong protest against the Act in its issue of 13 March 1881. The two leading nationalist newspapers of

40. *RNP Bom.*, 27 March, 22 May, and 2 Oct. 1875. Also see *ABP*, 2 Sept. 1875, quoted in B. B. Majumdar, *op. cit.*, p. 353.

41. *Native Opinion*, 29 Dec. 1878, 19 Jan. 1879; *Gujerat Mitra*, 29 Dec. 1878, 12 Jan. 1879; *Jame-Jamshed*, 8 Jan. 1879; *Jalgaon Samachar*, 19 Jan. 1879; *Bombay Samachar*, 23 Jan. 1879; *Khandesh Vaibhaw*, 13 Jan. 1879; *Yazdan Parast*, 26 Jan. 1879; *Arunodaya*, 26 Jan. 1879; *Lok Mitra*, 26 Jan. 1879; and *Satya Sadan*, 15 Feb. 1879 (see *RNPBom.* for the weeks ending 4, 11, 18 and 25 Jan. and 1, 15, and 22 Feb. 1879); *Vakil-i-Hindustan*, 28 Dec. 1878 (*RNPPN*, 4 Jan. 1879); *Akhbar-i-Am*, 8 Jan. (*ibid.*, 11 Jan. 1879); *Nasim-i-Agra*, 30 Jan. (*ibid.*, 1 Feb. 1879); *Bharat Mihir*, 29 Jan. (*RNPBeng.*, 8 Feb. 1879); *Sahachar*, 10 March (*ibid.*, 15 March 1879).

42. See the relevant issues of the *RNPBom.*

43. 'Factory Legislation in India', *JPSS*, July 1881, Vol. IV, No. 1, p. 39.

Bengal, viz., the *Amrita Bazar Patrika* and the *Bengalee*, condemned the final Act, as did the *Brahmo Public Opinion*.[44] The *Hindi Pradeep* of Allahabad also expressed similar sentiments.[45] And, of course, numerous other newspapers of Bombay and Bengal eagerly joined in the chorus of protest against the Bill and its final form, the Indian Factories Act of 1881.[46]

At times, many of these critics of factory legislation advanced interesting and novel reasons, many of which might sound ridiculous, if not brutal and sardonic, to the modern ear, for arriving at their conclusion. For instance, one proof offered by them to show the needlessness of any legislation was the complete absence of any complaint or demand for protection on the part of workers themselves, who were stated to be willing to work for long hours quite voluntarily.[47] This view was put in a nutshell by the *Amrita Bazar Patrika* of 12 Nov. 1880: 'If great *zulum* (tyranny) is practised upon them (workers), why do they not seek employment elsewhere? Why are they afraid of being dismissed? It is clear, therefore, that they choose to remain employed in spite of the *zulums*.' Earlier, on 16 January 1880, it had given the perfectly sound, though gratuitous, advice to the philanthropists to go to the workers and persuade them to give up their work, instead of urging the government to pass laws.

Another argument advanced was that the men, women, and children working in factories did not require any outside help

44. 17 March, 26 March, and 24 March 1881 respectively.

45. January (RNPPN, 8 Jan. 1880).

46. For Bombay, see *Jame-Jamshed*, 28 Nov. 1879, and 14 March 1881; *Bombay Samachar*, 8 Dec. 1879 and 22 Dec. 1880; *Hitechchu*, 11 Dec. 1879; *Surya Prakash*, 13 Dec. 1879, and 19 March 1881; *Shamsher Bahadur*, 17 Dec. 1879; *Suryodaya*, 29 Nov. 1880; *Bombay Chronicle*, 14 March 1881; *Yazdan Parast*, 13 March 1881; *Khandesh Vaibhaw*, 18 March 1881; *Gujarat Mitra*, 20 March 1881; *Ganga Lahiri*, 25 March 1881; *Shubha Suchak*, 25 March 1881; *Shivaji*, 25 March 1881; *Nyaya Prakash*, 28 March 1881; *Aryavarata*, and *Nasik Vritta*, 9 Apr. 1881 (see the relevant issues of the RNPBom.). For Bengal, see *Sahachar*, 14 March (*RNPBeng.*, 26 March 1881); *Navavibhakar*, 21 March, *Sadharani*, 27 March (*ibid.*, 2 Apr. 1881); *Bharat Mihir*, 29 March (*ibid.*, 9 Apr. 1881); *Ananda Bazar Patrika*, 4 Apr. (*ibid.*, 16 Apr. 1881).

47. *Native Opinion*, 19 Jan. (*RNPBom.*, 25 Jan. 1879); *Ganga Lahiri*, 25 March (*ibid.*, 2 Apr. 1881); *Bengalee*, 26 March 1881; and 'The Factory Legis-

as, far from being oppressed, they were well-treated by their employers.[48] It was asserted that in reality instead of being 'poor and wretched', they were 'comparatively rich and healthy'.[49] It had also to be kept in view, it was said, that work in a factory was no strain on them 'because factory labour is one for which Indian labourers show a peculiar aptitude, being of a light and easy character, and so very popular with them'. The rulers of India were accused of always making the mistake of engrafting 'foreign and wholly unsuitable institutions on this country', thus showing 'a singular want of insight into the practical working of the organism of native society'. If the foreign rulers had instead kept the general poverty of the country in view and tried to meet the true wants of the Indian society and the Indian workers, 'they would then have found that their crying need is more the want of food and the means of purchasing it, rather than the protection of their limbs or relief from over-work.'[50] In any case, pointed out the critics of labour legislation, the lot of the mill labourers was definitely better than that of the labourers in other fields of economic activity in India.[51]

This was particularly true in regard to children since they

lation in India', *loc. cit.*, pp. 48-9. Interestingly, this argument was put in abeyance without any embarrassment or hesitation when the nationalist leaders took up the cause of the plantation labourers or the peasants. Then, they suddenly assumed the role of the voice of the dumb!

48. *Jame-Jamshed*, 25 March (RNPBom, 27 March 1875); *Gujarati*, 28 Nov. (*ibid.*, 4 Dec. 1880); *Sahachar*, 14 March (RNPBeng., 26 March 1881); *Sadharani*, 27 March (*ibid.*, 2 Apr. 1881). *The Brahmo Public Opinion* of 27 Feb. 1879 wrote: 'The relation between the workmen and the employers is perfectly healthy.... The workmen are never worked against their will and their wages are fixed and paid with a degree of generosity and punctuality that does credit to several English and native firms.... The places where the several mills are built, are with few exceptions, all that could be desired in a sanitary point of view and provisions are very generously made for looking after the health of those who are employed in the manufactories when they fall ill.'

49. *Bombay Samachar*, 2 May (RNPBom., 3 May 1879), and 2 Dec. (*ibid.*, 4 Dec. 1880); *Jame-Jamsed*, 28 Nov. (*ibid.*, 29 Nov. 1879); *Sahachar*, 14 March (RNPBeng., 26 March 1881).

50. 'Factory Legislation in India', *loc. cit.*, p. 49.

51. *Jame-Jamsed*, 17 May (RNPBom., 22 May 1875); 'Factory Legislation in India', *loc. cit.*, pp. 35-6, and 41; *ABP*, 17 March 1881.

were made to work for much longer hours in the fields or other places of work than in the factories.[52] The *Native Opinion* of 29 December 1878 could even opine that 'children working in these mills enjoy better health than those who attend school'.[53] Furthermore, wrote the anonymous writer of the 'Factory Legislation in India' in the *Journal of the Poona Sarvajanik Sabha* of July 1881, the children's task in the factories was 'never considered as at all heavy, tedious, or tiresome by them at all'.[54] He further pointed out that the Factory Act was likely to lead to the dismissal of all children below 12 because the employers would prefer to minimise that way the annoying interference by the unwelcome inspectors.[55] The large scale dismissal of children for this reason or due to compliance with the provisions of the Factory Act combined with the inevitable lowering of wages of the children, who were fortunate enough to retain their employment, would reduce the low income of the already very poor workers' families and would 'deprive those children of their bread' and make them a burden on their parents.[56] But the worst consequence of the Act, according to these critics, in so far as children were concerned, would be a sharp increase in 'the number of juvenile criminal offenders', because 'the boys thus thrown out of employment will too often be forced to beg, borrow, or steal'.[57]

52. *Gujarat Mitra*, 12 Jan. (*RNPBom.*, 18 Jan. 1879); 'Factory Legislation in India', *loc. cit.*, pp. 37, 40, and 49. In the latter, the following passage appeared: 'It is no exaggeration to say that, as a rule, factory children are in respect of their physique and general appearance far better off than they ever were before or can be in any other employment.... They get better food, are better clothed, look more hale and hearty than similar children employed in other trades' (p. 49).

53. *RNPBom.*, 4 Jan. 1879.

54. P. 47. Also see *Native Opinion* and *Arunodaya* of 19 June (*RNPBom.*, 25 June 1881); *Dnyan Prakash*, 30 June (*ibid.*, 2 July 1881).

55. *Loc. cit.*, pp. 44-7. The writer further commented: 'We do not see how the owners are to be blamed for taking measures to protect themselves' (p. 47).

56. *Ibid.*, pp. 47-8. Also *Lok Mitra*, 23 Nov. (*RNPBom.*, 29 Nov. 1879); *Hitechchu*, 11 Dec. (*ibid.*, 20 Dec. 1879); *Native Opinion* and *Arunodaya* of 19 June (*ibid.*, 25 June 1881); *Dnyan Prakash*, 30 June (*ibid.*, 2 July 1881).

57. 'Factory Legislation in India', *loc. cit.*, p. 48. Also *Native Opinion* and *Arunodaya* of 19 June (*RNPBom.*, 25 July 1881); *Dnyan Prakash*, 30 June (*ibid.*, 2 July 1881).

The strongest nationalist objection to factory legislation was, however, based on the belief that it would retard the growth of the rising cotton textile industry by raising its costs of production and thus reducing its competitive capacity *vis-a-vis* the mills of Lancashire.[58] Some of the nationalists even donned the mantle of the prophets of doom. 'Thus our factories are now ruined', bewailed the *Mahratta* of 13 March 1881: 'the infant industry is doomed'. Some of the Indian leaders openly asserted that in view of the paramount need for industrial development there should be no hesitation in sacrificing the interests of the factory labourers. For example, the *Amrita Bazar Patrika* of 2 September 1875 opined: 'A larger death rate amongst our operatives is far more preferable to the collapse of this rising industry.... We can, after the manufactures are fully established, seek to protect the operatives.'[59] Furthermore, it was said that even from the point of view of the workers the legislation was prone to be harmful since it would have the effect of killing the goose that laid the golden eggs, for any check on the growth of the textile industry would in turn affect the earnings of, and the opportunities of employment for, the workers themselves.[60]

58. *Native Opinion*, 29 Dec. 1878 (RNPBom., 4 Jan. 1879); *Lok Mitra*, 26 Jan. (*ibid.*, 1 Feb. 1879); *Akhbare Sowdagar*, 19 Nov. (*ibid.*, 22 Nov. 1879); *Bombay Chronicle*, 14 March, *Yazdan Parast*, 13 March, *Jame-Jamsed*, 14 March, *Surya Prakash*, 19 March (*ibid.*, 26 March 1881); *Nyaya Prakash*, 28 March, *Gujarati*, 27 March (*ibid.*, 2 Apr. 1881); *Akhbar-i-Am*, 8 Jan. (RNPPN, 11 Jan. 1879); *Nasim-i-Agra*, 30 Jan. (*ibid.*, 1 Feb. 1879); *Hindi Pradeep*, Jan. (RNPPN, 8 Jan. 1880); *ABP*, 17 March 1881; 'Factory Legislation in India', *loc. cit.*, p. 40; *Navavibhakar*, 21 March (RNPBeng., 2 Apr. 1881); *Bharat Mihir*, 29 March (*ibid.*, 9 Apr. 1881); *Ananda Bazar Patrika*, 4 Apr. (*ibid.*, 16 Apr. 1881).

59. Quoted in B. B. Majumdar, *op. cit.*, p. 353 f.n. Similarly, the *Akhbar-i-Am* of 8 January 1879 asserted that even if workers were overworked no objection should be taken for, after all, the country gained. It pointed out that during a war soldiers were not only over-worked but they even die; for India industrialisation was no less important than a war for in it alone lay the country's salvation (RNPPN, 11 Jan. 1879).

60. *Native Opinion*, 29 Dec. 1878 (RNP Bom., 4 Jan. 1879); *ABP*, 12 Nov. 1880; *Gujarat Mitra*, 20 March (RNP Bom., 26 March 1881); *Ganga Lahiri*, 25 March (*ibid.*, 2 Apr. 1881); 'Factory Legislation in India', *loc. cit.*, pp. 31, and 40; *Sadharani*, 27 March (RNP Beng., 2 Apr. 1881); *Bharat Mihir*, 29 March (*ibid.*, 9 Apr. 1881); *Ananda Bazar Patrika*, 4 Apr. (*ibid.*, 16 Apr. 1881).

Some of the Indian writers also objected to the very notion of state interference 'with the quiet working of private industrial enterprise which was fraught with danger.[61] The proper course would be to let the disputes between employers and their employees be mutually settled.[62] In any case, if the government was bent upon passing a law on the subject, the Indian leaders insisted that it should be made applicable throughout British India so that there was no discrimination against the Indian-owned industries of Bombay to the advantage of the English-owned industries of the other Presidencies.[63] For similar reasons, objection was also taken to the exemption from the operation of the Act of the tea and coffee plantations and indigo factories, which were owned by Europeans, and the small cotton ginning and pressing factories, which promoted the export of raw cotton to England. This discrimination was all the more unpalatable as the conditions of work in the small ginning and pressing factories and on the tea and indigo estates were much more appalling than in the modern textile mills of Bombay. Consequently, it was said, it was the former enterprises that 'should be more carefully looked after by a government bent upon philanthropy'.[64]

At this stage the question naturally arose: Why was the Government of India so keen on putting a factory act on the statute book? And practically all the Indian writers who expressed an opinion on the subject came out with the answer that it was doing so under the 'powerful and irresistible, although unjust, pressure' of the jealous Lancashire magnates, who wanted, under the cloak of benevolence and philanthropy, to handicap their Indian competitors by making the Indian

61. 'Factory Legislation in India', *loc. cit.*, p. 31. Also *Ganga Lahiri, Shubha Suchak*, and *Shivaji* of 25 March (*RNP Bom.*, 2 Apr. 1881); the *Brahmo Public Opinion*, 27 Feb. 1879; *ABP*, 16 Jan. 1880.

62. *Bengalee*, 26 March 1881.

63. Memorial of the Poona Sarvajanik Sabha, quoted in *LCP*, 1881, Vol. XX, p .100. Also *Rast Goftar*, 7 Dec. (*RNP Bom.*, 13 Dec. 1879). The *Rast Goftar* wanted the Act to be made applicable to the army also.

64. 'Factory Legislation in India', *loc. cit.*, pp. 35-6. Also *Soni Prakash*, 28 March (*RNP Beng.*, 2 Apr. 1881).

cloth dearer.[65] For instance, the *Indian Spectator* of 20 March 1881 greeted the news of the final enactment of the Act with the sarcastic comment: 'It seems the lachrymose wails and philanthropic denunciations of a few short-sighted enthusiasts, worked up by the saints of Manchester, have been too much for a hysteric Government to resist.'[66] The *Brahmo Public Opinion* of 24 March 1881 passed the crisp and clear judgment: 'Manchester has won a surreptitious victory over the cotton industry of India.'

Some of the Indian commentators were quick in drawing political conclusions from the course of events leading to the enactment of the first Indian Factories Act. The vitriolic *Amrita Bazar Patrika* wrote in its issue of 17 March 1881: 'What is India? The cotton growing property of Manchester. What are Indian ryots? A species of animals created for the purpose of growing cotton for the use of Manchester.' The *Mahratta*, the spokesman of the rising generation of Poona nationalists, angrily commented on 13 March 1881: 'This plainly indicates what we have all along held, viz. that India is not governed for India's sake but in the interests of England.' In fact, Indian people should know 'that *we are a conquered nation* and we

65. *Jame-Jamsed*, 25 March (RNP Bom., 27 March 1875); *Bombay Samachar*, 18 May (*ibid.*, 22 May 1875); *Arunodaya*, 26 Sept. (*ibid.*, 2 Oct. 1875); *Gujarat Mitra*, 12 Jan. (*ibid.*, 18 Jan. 1879); *Native Opinion*, 19 Jan. (*ibid.*, 25 Jan. 1879); *Arunodaya*, 26 Jan. (*ibid.*, 1 Feb. 1879); *Khandesh Vaibhaw*, 13 Jan. (*ibid.*, 15 Feb. 1879); *Satya Sadan*, 15 Feb. (*ibid.*, 22 Feb. 1879); *Hitechchu*, 11 Dec., and *Surya Prakash*, 13 Dec. (*ibid.*, 20 Dec. 1879); *Bombay Samachar*, 8 Dec. (*ibid.*, 13 Dec. 1879); *Indu Prakash*, 22 March (*ibid.*, 27 March 1880); the *Brahmo Public Opinion*, 27 Feb. 1879; ABP, 16 Jan. and 19 March 1880; *Akhbar-i-Am*, 8 Jan. (RNPPN, 11 Jan. 1879); *Nasim-i-Agra*, 30 Jan. (*ibid.*, 1 Feb. 1879); *Bharat Mihir*, 29 Jan. (RNP Beng., 8 Feb. 1879); *Sahachar*, 10 March (*ibid.*, 15 March 1879); *Hindi Pradeep*, Jan. (RNPPN, 8 Jan. 1880); *Gujarat Mitra*, 20 March (RNPBom., 26 March 1881); *Native Opinion*, 27 March, *Ganga Lahiri*, 25 March, *Nyaya Prakash*, 28 March, *Gujarati*, 27 March, *Shubha Suchak*, and *Shivaji* of 25 March (*ibid.*, 2 Apr. 1881); *Mahratta*, 13 March 1881; ABP, 17 March 1881; *Bengalee*, 26 March 1881; 'Factory Legislation in India', loc. cit., pp. 30, and 43; *Sahachar*, 14 March (RNP Beng., 26 March 1881); *Navavibhakar*, 21 March, *Sadharani*, 27 March (*ibid.*, 2 Apr 1881); *Ananda Bazar Patrika*, 4 Apr. (*ibid.*, 16 Apr. 1881).

66. RNP Bom., 26 March 1881.

are to be governed but as a conquered nation'.[67] It urged the Indian people to 'do away with petitioning and begin to work ourselves.' It felt that one effective form this self-effort could take was boycott. It therefore appealed: 'Let us unite and resolve that no Manchester cloth will be worn.... If we do this, hundred factory legislations cannot a whit affect our industries unless Government makes bold to shut them.... Let Manchester Merchants have no cotton from India.'[68]

II. THE FACTORIES ACT OF 1891 AND NATIONALIST REACTION

The insufficiency of the Indian Factories Act of 1881 in duly protecting mill-workers gave rise to further agitation for its amendment soon after it was passed. The philanthropists were dissatisfied with the provisions of the Act for obvious reasons; nor could the Act appease the Lancashire manufacturers who witnessed with alarm the growing textile production in India and the slow decline of English textile imports into the country.

In 1882, the Government of Bombay invited Meade King, an English factory inspector, to investigate the working of the Factories Act in the Bombay region. He found many grave abuses prevalent in the factories and declared the existing law to be inadequate.[69] He also made certain proposals with a view to improving the situation. The Government of Bombay appointed, on 23 May 1884, another Commission to study the practicability of his suggestions and to consider 'the whole subject in all its bearings'. The Commissioners, four of whom were the representatives of employers, recommended amendment of

67. (Emphasis added). The *Mahratta* went on to make some extremely precocious remarks: 'Agitating for political rights without making any attempts at making a conscious population will always end in smoke. Let the ignorant masses know how strongly Manchester is working, let them know and understand the workings of Government, let them know what we are and what we ought to be and we are sure our efforts will be crowned with success.'

68. A similar appeal was made by the *Native Opinion* of 26 March, 1891 (*ISVOI*, 19 April 1891, p. 316), at the time of the enactment of the Indian Factories (Amendment) Act, 1891.

69. Das, *Factory Legislation in India*, pp. 31-2; Clow, *op. cit.*, p. 13.

the original Act so as to provide for the limitation of the hours of work of children and women to 9½ and 11½ hours respectively, grant of 4 monthly holidays to them, and the raising of the minimum and maximum age of children to 9 and 14 years respectively.[70] The Government of India, to whom the Report of the Commission was forwarded for action, was, however, not convinced of the necessity for a general amendment of the existing Act and no further action in the matter was taken for the time being.[71]

But the matter did not rest here. Once again, there was brisk agitation in England for the application of the more stringent English factory legislation to India. The question was repeatedly raised in the House of Commons and outside by the Members of Parliament. The Chambers of Commerce, who had discovered with dismay the fact that the abolition of cotton duties in India had failed to check the growth of Indian textile industry, made incessant representations to the Secretary of State for India; and the latter, in turn, constantly prodded and instructed the Government of India to take satisfactory action.[72]

At this stage, however, a new element entered into the situation. Gradually, the workers themselves began to put forward their demands, though in an extremely moderate manner and on grounds of charity and humanity rather than of rights and justice. Moreover, these demands took the form of humble entreaties to the government to come to the aid of the workers. The moving spirit behind this agitation by, and on behalf of,

70. *Report of the Bombay Factory Labour Commission* of 1885, pp. 10-15. They also recommended that women and children should be allowed employment for 16 hours with two hours' rest in factories working for less than six months in a year. This recommendation does not seem to exhibit the humanitarian instincts of the Commission at their best. As a matter of fact, the pro-labour but anti-national weekly of Bombay, the *Din Bandhu* of 25 Jan. 1885, condemned the Commission's recommendations and wrote: 'The report just issued plainly shows that the Commissioners were men who defended interests of the mill-owners.... If, therefore, Government took action in accordance with the recommendations of the Factory Commission, great injustice would be done to mill-hands' (RNP Bom., 31 Jan. 1885).

71. Das, *Factory Legislation in India*, p. 37.

72. *Ibid.*, Chapter III; and Kydd, *op. cit.*, p. 37.

the workers was N. M. Lokhanday, who had started, as early as 1880, the Anglo-Marathi weekly, the *Din Bandhu*, that made the cause of the mill-workers its *raison d'etre*.[73] In November 1884, he organised two meetings of Bombay textile workers, which adopted unanimous resolutions demanding Sunday as a holiday for all mill-hands, restriction of working hours from 6.30 A.M. to sunset, provision for half an hour's rest at noon, payment of wages on the 15th of the month following that for which they had been earned, and provision of compensation for industrial accidents. These resolutions were incorporated in a memorial that was signed by 5,500 mill-workers and was forwarded in October 1884 to the Bombay Factory Commission by Lokhanday, who claimed at this time to be the Chairman of the Mill-hands' Association.[74] During the next seven years, Lokhanday and others made repeated attempts through meetings and memorials to persuade the government to legislate on the above demands of the workers.[75] It would, however, be misleading to look upon Lokhanday's attempts as the beginnings of a vigorous labour movement in India. In reality, it was no movement at all.[76] Moreover, Lokhanday was no labour organiser, but a mere philanthropic

73. The *RNP Bom.* included it in its coverage from 9 Oct. 1880 onwards, so the first issue of the paper probably came out on 3 Oct. 1880. The origin of this newspaper has been wrongly assigned to the year 1890 by R. K. Das, and, following him, by other writers. See, for instance, Das, *Factory Legislation in India*, p. 62; Mukhtar, *op. cit.*, p. 86; and S. D. Punekar, *Trade Unionism in India* (Bombay, 1948), p. 59.

74. *Report of the Bombay Factory Labour Commission*, 1885, pp. 230-1.

75. *Report of the Indian Factory Labour Commission*, 1890, pp. 15-20; Das, *Factory Legislation in India*, p. 63; Kydd, *op. cit.*, pp. 51-2.

76. *Report on the working of the Factory Act for Bombay for the year 1895* contains the following passage on the subject: '... the Bombay mill-hands have no organised trade-union. It should be explained that although Mr N. M. Lokhanday, who served on the last Factory Commission, describes himself as President of the Bombay Mill-hands' Association, that Association has no existence as an organised body, having no roll of membership, no funds and no rules. I understand that Mr Lokhanday simply acts as volunteer Advisor to any mill-hand who may come to him' (p. 15). Quoted in Mukhtar, *op. cit.*, p. 87. According to the report of the inspector of factories in 1892, the Association was 'a factor which can hardly influence the relation between the employer and the employed in any way, at least for the present' (quoted in Buchanan, *op. cit.*, p. 421).

friend of labour, as the title of his newspaper literally proclaimed.[77] As such, Lokhanday, instead of being branded as a revolutionary and punished by the government—as was done in the case of those who had helped and organised the indigo agitation—was appointed the local member of the Factory Labour Commission of 1890.

It may also be mentioned in this connection that whenever agitation for introducing factory legislation in India was started in England, the Indian and British manufacturers in India replied by launching a powerful counter-agitation for non-intervention by the State. The arguments advanced by them were: the Indian workers did not require any legislative protection; any new legislation was likely to injure the infant industries of the country; and, in any case, outsiders had no right to interfere in such delicate matters.[78]

Torn between pressures and counter-pressures, the Government of India finally introduced a Bill to amend the Factory Act of 1881 in the Legislative Council on 31 January 1890.[79] The provisions of the amendment Bill did not however go far enough in bringing the Indian factory legislation on par with the English factory laws. This discrepancy once again displeased the pressure groups in England, who again started clamouring for more vigorous provisions.[80] The decisions of the International Labour Conference, held at Berlin in March 1890, gave an added fillip to their agitation.[81] Consequently, the Secretary of State insisted on a stricter measure, even though he had earlier approved the draft Bill, and suggested the appointment of another Commission.[82] The Government of India now

77. *Din Bandhu* means 'friend of the poor'. Moreover, he was perhaps the *alter ego* of Sorabjee S. Bengalee.

78. See Das, *Factory Legislation in India*, Chapter III; Kydd, *op. cit.*, Chapter III.

79. This draft Bill provided for limiting the hours of work for women to 11 in any one day and for securing to women and children four holidays in a month. It contained no provisions relating to adult labour. Das, *Factory Legislation in India*, pp. 48-9.

80. Kydd, *op. cit.*, pp. 48-9; Das, *Factory Legislation in India*, pp. 49-50.

81. Kydd, *op. cit.*, pp. 48-9; Das, *Factory Legislation in India*, pp. 50-60.

82. Kydd, *op. cit.*, pp. 49-52; Das, *Factory Legislation in India*, pp. 48 and 60.

appointed another Commission in September 1890 to enquire into the conditions of labour employed in factories in Bombay, Bengal, and the North-Western Provinces and Oudh.

The Commission recommended limitation of daily hours of work of women to 11, reduction in the working hours of children to 6¾, provision of a weekly holiday for all operatives, including male adults, and of half an hour's rest interval between the hours of 12 A.M. and 1 P.M. for all adults. The Commissioners, excepting S. S. Bengalee, suggested that the proposed restriction on the working hours of women might be relaxed, if found necessary in their interests. This Commission too, however, refused to interfere with the hours that an adult male might be made to work.[83]

While the industrialists of India expressed satisfaction with the results of the Commission's deliberations and hoped that this might be the last of legislative interventions in labour affairs,[84] the English agitators and the Secretary of State were still dissatisfied and pressed for further changes.[85] For that matter, the recommendations of the Commission were far short of the demands of the factory workers.[86]

The provisions of the draft Bill were recast in the light of the Commission's recommendations and the ensuing correspondence between the Government of India and the Secretary of State, and the final Act, known as the Indian Factories (Amendment) Act, 1891, was passed on 19 March 1891. The Act applied to factories using power, employing 50 or more persons

83. *Report of the Indian Factory Labour Commission*, 1890, pp. 4-14.

84. Das, *Factory Legislation in India*, pp. 68-9. The employers did indeed have grounds for satisfaction. The Commission had paid great heed to their interests and had tactfully made only such suggestions as were acceptable to the employers or which were already being given effect to by them. *Report of the Indian Factory Labour Commission*, 1890, pp. 4-12.

85. Das, *Factory Legislation in India*, pp. 69-73; Kydd, *op. cit.*, pp. 62-4.

86. See above. As a member of the Commission and the spokesman of Bombay workers, Lokhanday had suggested that in addition to the demands often made earlier the working hours of men, women and children should be limited to 10½, 9 and 5½ respectively, and the minimum age of employment for children should be raised to 9 years. See *Report of the Indian Factory Labour Commission*, 1890, p. 20.

and working for 120 or more days in a year; it provided for a weekly holiday for all workers and a mid-day break of half an hour. Working hours of women were fixed at 11 per day including 1½ hours break for rest. Women were not to work during night except in factories of Bengal working on a shift basis. The minimum age for children was raised to 9 and the maximum to 14. Their hours of work were restricted to 7 in any one day. Local governments were empowered to frame rules regarding sanitary and hygienic standards.[87]

It is to be noted that once again the smaller and seasonal factories, in which the worst abuses prevailed, escaped the reach of legislation. Nor were the demands of Indian philanthropists and workers for a uniform 11 hour day and compensation for accidents and medical aid in case of sickness accepted.[88] Moreover, the system of factory inspection continued to be defective, and consequently 'the provisions of the Factory Act were systematically evaded'.[89]

The provisions of the Factory Act of 1891, however, still left Lancashire capitalists out of humour. In the following years, they continued their agitation, in which they were joined by the jute manufacturers of Dundee.[90] During the period following the year 1891, forces also arose in Britain in support of the stand taken by the Government of India,[91] the reason perhaps being the growing preponderance in Britain of those who had made, directly or indirectly, or were planning to make, large capital investments in Indian industrial enterprises. In India,

87. Act No. XI of 1891.

88. Das, *Factory Legislation in India*, p. 93. The demand for a uniform working day acquired added urgency due to the sharp increase in the hours worked by the factories after the introduction of electric lights.

89. Lovat Fraser, *op. cit.*, pp. 330-1. Also Clow, *op. cit.*, pp. 23-4. Young children continued to be employed in violation of the law. See f.n. 9 above.

90. Das, *Factory Legislation in India*, pp. 83-90, 94-8; Kydd, *op. cit.*, pp. 69-78. The Dundee agitation was, however, not as effective as the Lancashire agitation, chiefly because the Indian jute industry was also controlled by British capitalists.

91. Das, *Factory Legislation in India*, pp. 87-9. Particularly significant was the support of the *Times*, which was earlier hostile to the policy being followed by the Government of India.

the philanthropic effort in the direction seems to have petered out during the next few years, till it was again taken up by the *Times of India* in September 1905.[92]

Once again, the nationalist reaction to the various issues relating to labour legislation was mostly pro-employer and lacking in sympathy towards labour. The need for labour legislation was generally denied and objection was taken to the efforts of the government and private individuals to bring about legislative intervention in the internal affairs of the mills.[93] The general sense of this approach was well-summarised by a columnist in the *Mahratta* of 26 Oct. 1890 as follows: 'There is considerable truth in the remark made by the Allahabad paper that the Indian operative is better off under the present circumstances than he is likely to be if he was bound up, hand and foot, like the British workman, in the meshes of over-nice and over-strict regulations.'

Some of the nationalist critics welcomed the recommendations of the Factory Commission of 1890, largely because of their 'moderation', 'fairness', and 'reasonableness', or, in other words, on the ground that the recommendations were harmless enough not to affect adversely the interests of the industry and the employers.[94] For the same reasons, the draft Bill of 1890 and the Act of 1891 were either not criticised at all by the

92. Lovat Fraser, *op. cit.*, pp. 333 ff.

93. *Indu Prakash*, 4 Aug. and 13 Oct. 1884; *Indian Spectator*, 3 Aug. (*RNP Bom.*, 9 Aug. 1884); *Bombay Samachar*, 23 Jan. and 10 Feb. (*ibid.*, 24 Jan. and 14 Feb. 1885); *Mahratta*, 3 Aug. 1884, 23 Dec. 1888, 7 Dec. 1890; *Bengalee*, 27 Apr. 1889; *Hindu*, 14, 17 May 1889, 10 Dec. 1890; *Dnyan Prakash*, 16 May, *Tribune*, 22 May (*VOI*, June 1889); *Samaya*, 28 Dec. (*RNP Beng.*, 5 Jan. 1889); *Surabhi-O-Pataka*, 3 Jan. (*ibid.*, 12 Jan. 1889); *Sulabh Samachar and Kushdaha*, 18 Jan. (*ibid.*, 26 Jan. 1889); *Sahachar*, 6 Feb. (*ibid.*, 16 Feb. 1889); *Pratakar*, 7 June (*ibid.*, 15 June 1889); *Hindustan*, 22 May (*RNPN*, 29 May 1889); *Koh-i-Noor*, 28 May (*RNPP*, 8 June 1889); *Gujarat Darpan*, 30 May (*RNP Bom.*, 1 June 1889); *Native Opinion*, 15 May (*ibid.*, 17 May 1890); *Kaiser-i-Hind*, 5 Oct. (*ibid.*, 11 Oct. 1890); *Bombay Samachar*, 7 Nov. (*ibid.*, 8 Nov. 1890); *Hindustan*, 23 Apr. (*RNPN*, 28 Apr. 1890); *Bharat Jiwan*, 1 Dec. (*ibid.*, 9 Dec. 1890).

94. *Bombay Samachar*, 4 Dec. (*RNP Bom.*, 6 Dec. 1890); *Kaiser-i-Hind*, 7 Dec. (*ibid.*, 13 Dec. 1890); *Gujerati*, 7 Dec. (*ibid.*); *Mahratta*, 14 Dec. 1890; *Samaya*, 12 Dec. (*RNP Beng.*, 20 Dec. 1890).

nationalist newspapers, or, even if criticised, were let off very lightly.[95] Moreover, most of the provisions of the Bill and the Act had already been accepted by the employers. This piece of legislation was, therefore, seen as nothing more than a rebuff to Manchester.[96] Their only fear was that this temperate enactment might be used as the thin end of the wedge to impose much harsher regulations on the manufacturers.[97] Moreover, this section of the nationalists was convinced that far from being miserable or suffering from any hardship, the mill worker was leading a contented and comfortable life. As a matter of fact, wrote the *Hindu* of 17 May 1889, 'all the so-called hardships of the factory men are a fiction.'[98] The *Native Opinion* of 15 May 1890 gave a philosophical colouring to the same sentiment: 'There is no doubt that the mill-hands of the Bengal and Bombay Presidencies are better off than those of England, not because they enjoy higher pay, but because their habits are simpler and their wants fewer, their diet cheap and their clothing not of the kind needed to counteract the rigour of a cold climate.'[99] A well-known physician of Bombay, K. N. Bahadurji, M.D. (London), professor at the Bombay Grant Medical College and a prominent leader of the Indian National

95. Another reason for the paucity of newspaper comment on the Bill of 1890 and the Act of 1891 was the current preoccupation of the newspapers with the Age of Consent Bill.

96. *Jame-Jamsed*, 8 March (RNP Bom., 4 March 1891). Also *Indu Prakash*, 11 Apr. 1891; *Mahratta*, 5 Apr. 1891; *Surabhi-O-Pataka*, 10 Apr. (RNP Beng., 18 Apr. 1891); *Sahachar*, 9 Sept. (*ibid.*, 19 Sept. 1891).

97. Mahratta, 16 Feb. 1890, and 5 Apr. 1891; *Surabhi-O-Pataka*, 13 Feb. (RNP Beng., 22 Feb. 1890); *Dainik-O-Samachar Chandrika*, 5 March (*ibid.*, 8 March 1890); K. L. Nulkar, LCP, 1891, Vol. XXX, pp. 177, 179.

98. In its issue of 10 December 1890, the *Hindu* expressed even greater optimism. After stating that the workers' condition was good and that they were even cheerful, its editor wrote that he had seen with his own eyes 'how their wages had arisen, how well they were looked after, and how cheering was the prospect before them'. Also *Sahachar*, 11 March (RNP Beng., 21 March 1891).

99. RNP Bom., 17 May 1890. Also *Sahachar*, 9 Sept. (RNP Beng., 19 Sept. 1891). It is to be noted that when the same argument regarding relativity of income and needs was advanced by the official spokesmen to deny the existence of poverty in India, the nationalist leaders rejected it as unscientific and 'cruel and heartless'. See Chapter I.

Congress in Bombay, concluded, in a scientific paper written in 1891, that the Indian factory workers' physical condition was entirely satisfactory and that they did not show any sign of breakdown in health or physique. Women workers were particularly healthy and strong. He denied the need of applying restrictive factory laws even to cotton ginning and pressing factories, where, he admitted in an undertone, the work was sometimes hard![100]

This section of the national leadership was in particular opposed to the limitation of the hours of work of adult males. It denied that the Indian workers were over-worked or that they worked long and arduous hours, since what appeared to be long hours at a glance were not really so in practice. For it must be borne in mind, wrote the *Mahratta* on 23 December 1888, 'that the Indian labourer has a leisurely way of his own of doing work. You may employ him for hours together at a stretch on any work, but you will find that he will not over-work himself. He will find occasion to go out every now and then and enjoy himself.'[101] In the opinion of the *Sulabh Samachar and Kushdaha* of 18 Jan. 1889, the hours of work in Indian mills were suited to a tropical country and to the temperament of the Indian labourer, who was more patient and hardworking than his foreign compeer.[102] Moreover, it was asserted that shorter hours of work would not be good for the workers since their adoption would lead to a lowering of wages.[103]

The provision relating to a weekly day of rest was rarely objected to at the time mainly because, as pointed out earlier,

100. Das, *Factory Legislation in India*, pp. 90-1. Also, *Hindustan*, 1 June (*RNPN*, 5 June 1889).

101. Also *Mahratta*, 3 Aug. 1884; *Gujarat Darpan*, 30 May (*RNP Bom.*, 1 June 1889); *Bharat Jiwan*, 1 Dec. (*RNPN*, 9 Dec. 1890); K. N. Bahadurji, cited in Das, *Factory Legislation in India*, p. 90; *Sahachar*, 9 Sept. (*RNP Beng.*, 19 Sept. 1891).

102. *RNP Beng.*, 26 Jan. 1889.

103. *Hindu*, 17 May 1889; *Samaya*, 28 Dec. 1888 (*RNP Beng.*, 5 Jan. 1889); *Sulabh Samachar and Kushdaha*, 18 Jan. (*ibid.*, 26 Jan. 1889); *Mahratta*, 14 Dec. 1890; *Samaya*, 14 Feb. (*RNP Beng.*, 22 Feb. 1890); *Native Opinion*, 6 Feb. (*RNP Bom.*, 8 Feb. 1890).

the employers had already approved of it in June 1890.[104]

Very surprising was the objection taken to the provisions regulating the employment of women workers. Thus we find the *Indu Prakash*, the sturdy and courageous champion of social reform, women's education, widow remarriage, and the Age of Consent Bill, writing as follows: 'It is to be regretted that Government should have thought fit... to interfere with the employment of females in Indian factories. By the new Act they are prohibited night work, and are compulsorily granted a long spell of leisure during the eleven hours they are permitted to work.'[105] The more orthodox *Maharatta* was not far behind the social reformist, for it had opined on 7 December 1890 that since 'the Commissioners have nowhere reported that the health of the women working in the factories suffers by reason of unrestricted hours of work, we think Government should not interfere here'. Later, when in March 1892 the news came that women workers were being retrenched in Ahmedabad, many of the nationalist newspapers demanded that the provision of the Factories Act limiting women's hours of work to 11 should be suspended in their interest.[106] But not one of them

104. A few newspapers did criticise even this proposal, but only prior to June 1890. See *Samaya*, 24 May (*RNP Beng.*, 1 June 1889); *Hindustan*, 22 May (*RNPN*, 29 May 1889), and 23 Apr. (*ibid.*, 28 Apr. 1890); *Bharat Jiwan*, 1 Dec. (*ibid.*, 9 Dec. 1890); *Native Opinion*, 6 Feb. (*RNP Bom.*, 8 Feb. 1890). In this context, the *Hindustan* of 22 May 1889 advanced the argument that such a step would deprive the millowners of one seventh of their profits. Interestingly, the editor of the *Hindustan* at this time was none else than Madan Mohan Malaviya, while its proprietor was Raja Rampal Singh, another doughty speaker on the Congress platform in those days. See *The Indian Nation Builders* (Madras, n.d., 3rd ed.), Part I, p. 146.

105. 6 Apr. 1891. It must be said to its credit that the motive for this strange attitude is also clearly stated by it in the same editorial. 'But apart from the interests of the operatives..., it is worth while asking if Government were not bound to look to the interests of the capitalists in this country, whose manufacturing enterprise is clearly jeopardised by legislation of this sort.' Obviously, the *Indu Prakash* found it easier to oppose the forces of the declining Hindu orthodoxy than the forces of the rising industrial capitalism.

106. *Mahratta*, 13 March 1892; *Sanjivani*, 5 Dec. (*RNPBeng.*, 12 Dec. 1891); *Native Opinion*, 10 March, *Gujarat Darpan*, 10 March, *Bombay Samachar*, 7 March (*RNPBom.*, 12 March 1892). See also, *Bangavasi*, 9 Apr. (*RNPBeng.*, 16 Apr. 1892).

had a word of criticism or advice to offer to the employers urging them to desist from following this selfish course of action.

Similarly, provisions aimed at reducing the hours of work and raising the minimum age of children employed in factories were also disapproved of on the ground that they would lead to a reduction in the family income of the poor labourer.[107] 'Thus healthy boys and girls will not be permitted henceforward to help their disabled parents', bewailed the *Surabhi-O-Pataka* on 10 April 1891.[108] The old, old argument of non-working children becoming delinquents was also trotted out, and, once again, by one of the champions of social reform in India, viz. *the Hindu*, which asserted in its issue dated 16 September 1891 that 'the hopefuls of our labourers either do useful work in aid of their parents or employ their idle hours in inventing work for our police and criminal officers. Factories keep them in most cases out of harm's way.'[109]

This section of the national leadership was convinced that the ultimate effect of the new factory legislation would not be an improvement in the lot of the workers but merely the ruin of the growing textile industry of India.[110] Interestingly, the only time the labour aspect was referred to from the Congress platform was in this context when, in his Presidential Address of 1895, Surendranath Banerjea warned against the use of factory legislation to restrict and raise the cost of production. He also pointed out that, even apart from England, Japan was already a serious rival of India in the field of textile indusrty.[111] Moreover, the nationalists felt that if the Indian industry was crippled, the workers too would be big losers as they would lose

107. *Hindustan*, 23 Apr. (RNPN, 28 Apr. 1890); *Bharat Jiwan*, 1 Dec. (*ibid.*, 9 Dec. 1890); *Mahratta*, 7 Dec. 1890; *Hindu*, 16 Sept. 1891.

108. *RNPBeng.*, 18 Apr. 1891.

109. Also see *Bombay Samachar* of 4 Dec. (RNPBom., 6 Dec. 1890).

110. *ABP*, 7 Feb. 1889; *Hindu*, 17 May 1889; *Koh-i-Noor*, 28 May (RNPP, 8 June 1889); *Samaya*, 14 Feb. (RNPBeng., 22 Feb. 1890); *Bharat Jiwan*, 1 Dec. (RNPN, 9 Dec. 1890); *Dainik-O-Samachar Chandrika*, 5 March (*ibid.*, 8 March 1890); *Surabhi-O-Pataka*, 10 Apr. (*ibid.*, 18 Apr. 1890); *Sahachar*, 9 Sept. (*ibid.*, 19 Sept. 1891); *Indu Prakash*, 11 Apr. 1891.

111. CPA, pp. 264-5. Banerjea also took the foreign-owned jute industry of Bengal, which was under attack from Dundee, under his protection.

an important source of employment. This view was put in a nutshell by the *Amrita Bazar Patrika* on 10 January 1900, as follows: 'Will the philanthropists, who tried so kindly and disinterestedly to shorten their hours of work and securing them a holiday every week, feed them when the mills are stopped? In India what is needed is sufficiency of food, and for it people will do anything, nay, even work for 16 hours in the day.'[112]

As in the case of the Factories Act of 1881, so also in 1891, the main reason behind the nationalist disapproval of agitation for factory legislation was the belief that it was basically inspired not by a philanthropic feeling for the oppressed Indian workers but by Lancashire's desire to throttle its Indian rival.[113] As the *Bengalee* of 27 April 1889 put it rather graphically, the feeling was that the solicitude that the Lancashire manufacturers and philanthropists felt for India was in reality akin to that 'of the beast of prey for its victim'. In fact, the moves for labour legislation were a continuation of the same policy which had earlier imposed free trade on India by the abolition of cotton import duties.[114]

112. Also see, *Maharatta*, 23 Dec. 1888; *Samaya*, 28 Dec. (*RNPBeng.*, 5 Jan. 1889); *Surabhi-O-Pataka*, 10 Apr. (*ibid.*, 18 Apr. 1891); *Gham Khwar-i-Hind*, 21 March (*RNPP*, 28 March 1891).

113. *Mahratta*, 23 Dec. 1888; *ABP*, 7 Feb. 1889; *Hindu*, 14 and 17 May 1889 and 10 Dec. 1890; *Dnyan Prakash*, 16 May, and *Tribune*, 22 May (*VOI*, June 1889); *Sulabh Samachar and Kushdaha*, 18 Jan. (*RNPBeng.*, 26 Jan. 1889); *Surabhi-O-Pataka*, 31 Jan. (*ibid.*, 9 Feb. 1889); *Sahachar*, 6 Feb. (*ibid.*, 16 Feb. 1889); *Pratakar*, 7 June (*ibid.*, 15 June 1889); *Hindi Pradeep* (*RNPN*, 26 June 1889); *Gujarat Darpan*, 30 May, and *Shivaji*, 24 May (*RNPBom.*, 1 June 1889); *Koh-i-Noor*, 28 May (*RNPP*, 8 June 1889); *Sanjivani*, 8 Feb. (*RNPBeng.*, 15 Feb. 1890); *Samaya*, 14 Feb. (*ibid.*, 22 Feb. 1890); *Dainik-O-Samachar Chandrika*, 5 March (*ibid.*, 8 March 1890); *Khasim-ul-Akhbar*, 10 Feb. (*RNPM*, 28 Feb. 1890); *Bharat Jiwan*, 1 Dec. (*RNPN*, 9 Dec. 1890); *Tribune*, 11 March (*ISVOI*, 29 March 1891, p. 257); *Native Opinion*, 26 March (*ibid.*, 19 Apr. 1891, p. 316); *Sahachar*, 11 March (*RNPBeng.*, 21 March 1891); *Gham Khwar-i-Hind*, 21 March and 20 June (*RNPP*, 28 March and 4 July 1891); K. L. Nulkar, *LCP*, 1891, Vol. XXX, p. 177; *Bangavasi*, 9 Apr. (*RNPBeng.*, 16 Apr. 1892); S. N. Banerjea in *CPA*, pp. 264-5.

114. Talking sarcastically of the philanthropists in England who thought that their sole guide in this respect was their humanitarianism, K. L. Nulkar, while commenting on the Factory Bill in the Legislative Council, said that 'They also probably believe that they have given India a satisfactory proof of this disinterestedness of theirs on behalf of the poor of India by success-

Some of the nationalist newspapers did, however, try to adopt a positive attitude towards the demands of the factory workers and asked the mill-owners to accept the more 'reasonable' of them. The lead in this direction was given by the *Mahratta*, which had at other times been the most vehement critic of factory legislation. The explanation for this fickle behaviour of the *Mahratta*, as well as of some other newspapers of the period, is, of course, to be normally found in the changes in their editorial personnel or their ownership.[115] One of the workers' demands supported by these 'dissident' nationalists was the lessening of the hours of work.[116] Here, we come across even such radical suggestions as a 9 or even an 8½ hour work-day.[117] And this radical suggestion is backed up, at least in one case, by a radical philosophy that bordered on an understanding of class struggle and the welfare functions of the state. Thus the *Mahratta* of 1 July 1888 made the following editorial comment: 'It is in the nature of masters to try to get as much work out of their servants or employees as possible. The poor servants too are liable to be carried away by their desire to gain money to work themselves to death. Hence the necessity for state interference.' Provision of educational facilities for children employed in factories, a weekly day of rest, at least half an hour's recess in the day, medical care, construction of residential quarters near the mills, and weekly or at least monthly payment of wages, were some of the other demands supported by

fully working for the abolition of the cotton duties a few years ago, and thereby compelling the Government of India to enhance the salt-duty to make up the financial deficit.... The masses, however, are an ungrateful lot. They would cry to be saved from such disinterested friends and would rather prefer, barbarians as they are, to have cheaper salt and less clothing' (*LCP*, 1891, Vol. XXX, pp. 177-8). Also *Bengalee*, 27 Apr. 1889, and *Hindu*, 17 May 1889.

115. For example, in 1884, the *Mahratta* was edited by G. G. Agarkar, the radical political and social thinker of Maharashtra. In 1887, it underwent change of owners and editor. Up to October 1888, Agarkar used to write for it. In September 1891, there was another change.

116. *Indian Spectator*, 3 Aug. (*RNPBom.*, 9 Aug. 1884); *Mahratta*, 5 Oct. 1884 and 1 July 1888; *Gujarati*, 9 Nov. (*RNPBom.*, 15 Nov. 1890).

117. *Indian Spectator*, 4 Nov. (*RNPBom.*, 10 Nov. 1883); *Mahratta*, 12 Oct. 1890.

these nationalists.[118]

III. THE INDIAN MINES ACT, 1901

Till the beginning of the 20th century, there was no legislation to regulate the conditions of work in the mining industry, which at this time primarily consisted of coal mining as far as the extent of employment was concerned. In 1900-01, coal mines produced 6,118,692 tons of coal and employed 89,248 persons.[119] A special feature of coalmining in India was the extensive employment of women and children in under-ground mines.[120] Moreover, the working conditions of mine workers, including coalminers, were very bad—they were indeed pitiable.[121] Apart from the appalling insanitary conditions, the mining industry was especially liable to accidents due to the absence of proper precautions. Yet, if the attention of the government was not drawn earlier to the miserable conditions of labour in coal mines, it was perhaps due to the fact that the Indian coal mining industry had to face very little foreign competition and a large part of it was foreign-owned.[122] There were, of course, quite a few Indian firms in the field, but their activities were generally confined to the smaller and poorer collieries.[123]

At last, in 1899, the Government of India introduced the Indian Mines Bill in the Legislative Council, which finally emerged as the Indian Mines Act of 1901. The Act was a very mild piece of legislation; it tried to regulate, though in a half-hearted fashion, the inspection of mines and the employment of women and children.[124]

118. *Indian Spectator*, 4 Nov. (*RNPBom.*, 10 Nov. 1883); *Subodh Patrika*, 28 Sept. (*VOI*, Oct. 1884); *Mahratta*, 5 Oct. 1884, 7 Dec. 1888, 15 Sept. 1889, 16 March 1890, and 12 Oct. 1890; *Gujarati*, 9 Nov. (*RNPBom.*, 15 Nov. 1890).

119. Morison, *op. cit.*, p. 175.

120. Buchanan, *op. cit.*, p. 272.

121. *Ibid.*, pp. 303, 307, 322. Also see Curzon, *Speeches II*, pp. 257-8.

122. Buchanan, *op. cit.*, pp. 265, 267.

123. *Ibid.*, p. 268.

124. The Indian Mines Act, 1901 (Act No. VIII of 1901) provided for the appointment of a Chief Inspector of Mines by the Government of India and other inspectors by Local Governments. The Chief Inspector was empowered to prohibit the employment of women and children in mines when

Even though the provisions of the Act were wholly inadequate for fulfilling the rather narrow tasks it was designed to serve, it was opposed almost unanimously by those nationalist leaders who expressed any opinion on it. Their grounds were practically the same as in the case of opposition to factory legislation. Once again, the need for any legislation, especially for a young industry like mining, was denied and the working conditions in the mines were declared to be satisfactory.[125] Surprisingly, even the Indian National Congress took a hand and passed a resolution in 1900 suggesting the omission of those provisions from the Mines Bill which imposed 'restrictions on the employment of labour'.[126] The mover of the resolution, Bhupendra Nath Basu, admitted that it was being moved on the request of the Mining Association of Bengal! No wonder he protested against the provision prohibiting women workers from carrying their children underground with them and declared that 14 years as the maximum age for children was on the high side since at 14 Indian women became mothers. He also opposed the appointment of inspectors on the ground that they would become a dread to mine owners![127]

Objections similar to those expressed in the case of the Indian Factories Act of 1891 were raised by the nationalists in respect of restrictions on the employment of women and children underground.[128] The clause in the Bill of 1899 prohi-

such employment was unsuitable or dangerous to their health and safety. The Inspectors were to enforce proper ventilation and other safety measures. A child was defined as a person under the age of 12. Provisions was also made in the Act for framing of rules prescribing the qualifications and duties of mine managers.

125. *Hitavadi*, 24 March (*RNPBeng.*, 1 Apr. 1899); *Samaya*, 6 Apr. (*ibid.*, 14 Apr. 1900); *Indu Prakash*, 22 March (*RNPBom.*, 24 March 1900); *Hindustan*, 24 Feb. (*RNPN*, 27 Feb. 1900); *Advocate*, 18 Jan. (*Ibid.*, 26 Jan. 1901); *Bengalee*, 6 Dec. 1900, and 19 Jan. 1901; *ABP*, 16 March 1901; *Hindu*, 26 March 1901; Sri Ram, *LCP*, 1901, Vol. XL, p. 207.

126. Resol. XXIV. Also *Hitavadi*, 24 March (*RNPBeng.*, 1 Apr. 1899); *ABP*, 16 March 1901.

127. B. N. Basu, *Rep. INC for* 1900, pp. 102-4.

128. *Sahachar*, 4 July (*RNPBeng.*, 14 July 1894); *Hitavadi*, 24 March (*ibid.*, 1 Apr. 1899); *Samaya*, 6 Apr. (*ibid.*, 14 Apr. 1900); *Bengalee*, 6 Dec. 1900; B. N. Basu, *Rep. INC for* 1900, p. 104; *ABP*, 16 March 1901.

biting children between 4 and 10 years of age being taken underground was attacked on the ground that it would strike at traditional family ties.[129] The hoary excuse was put forward that the workers concerned had not expressed any desire for such legislation.[130] On the contrary, wrote the *Hitavadi* of 24 March 1899, 'he (the mine worker) does not want the uncalled for generosity of the Government. "I thank you for your charity," he exclaims, "please recall your dog" '[131]

Many of the nationalist spokesmen strongly criticised the provision that only qualified persons could be appointed as managers. They pointed out quite correctly that in the absence of proper schools of mining, qualified Indian managers were not available, and that small mining companies, most of which were owned by Indians and which had to compete with larger European concerns, could possibly not afford to employ the highly-paid managers.[132] They demanded in this connection the opening of mining schools in the country[133] and, pending that, a temporary suspension of the provision.[134]

As before, the Indian leaders expressed the fear that mining legislation would be injurious to the growth of the mining industry, especially the Indian-owned part of it.[135] And they freely suggested that it was designed to help the coal industry

129. *Samaya*, 6 Apr. (RNPBeng., 14 Apr. 1900); Sri Ram, *LCP*, 1901, Vol. XL, p. 207.

130. *Indu Prakash*, 22 March (RNPBom., 24 March 1900); B.N. Basu, *Rep. INC for 1900*, p. 103; *Hitavadi*, 11 Jan. (RNPBeng., 19 Jan. 1901).

131. RNPBeng., 1 Apr. 1899. *The Bengalee* of 20 April 1902 was even afraid that the mining legislation would destroy those very qualities of Indian workers which had so justly elicited praise from foreigners like Mr. Grundy.

132. *Bengalee*, 6 Dec. 1900; *ABP*, 16 March 1901; Sri Ram, *LCP*, 1901, Vol. XL, p. 208; B.N. Basu, *Rep. INC for 1900*, p. 104.

133. *Bengalee*, 6 Dec. 1900; Resol. XXIV of the *INC for 1900* and Resol. XVIII of the *INC for 1901*.

134. Resol. XXIV of the *INC for 1901*; B.N. Basu, *Rep. INC for 1900*, p. 104.

135. *Indu Prakash*, 22 March (RNPBom., 24 March 1900); *Bengalee*, 6 Dec. 1900 and 19 Jan. 1901; *ABP*, 16 March 1901; Sri Ram, *LCP*, 1901, Vol. XL, p. 208; B.N. Basu, *Rep. INC for 1900*, p. 104.

of England,[136] although in this case there was not much objective basis for such an accusation.

IV. BASIS OF NATIONALIST POLICY

We have so far examined the opposition of a major section of such Indian nationalist leaders as expressed opinion on one aspect or the other of the growing labour problems of Indian factory and mining industries to the very idea of legislative intervention in favour of the workers and also the support which a very small section extended to some of the elementary demands of the workers. It has been seen that the opposition was neither vehement nor wide-spread, except when referring to the role of Lancashire, but was rather lukewarm. Similarly, the support for workers' demands was equally half-hearted and quantitatively of little importance. Both these phenomena are to be explained by the extremely pro-employer nature of the activities of the Government of India and the innocuous character, from the point of view of the employers, of the various bills that were brought forth or enacted by the government. This inference is substantiated by the Report of the Bombay Millowners' Association for the year 1891. Referring to the Factories Act of 1891, the Report stated: 'These alterations do not go beyond the views which the members of this Association have always favoured and there has therefore been no necessity for assuming an antagonistic position with regard to the discussion on the Bill'.[137] This fact of the employers'

136. *Hitavadi*, 24 March (*RNPBeng.*, 1 Apr. 1899); *Indu Prakash*, 22 March (*RNPBom.*, 24 March 1900); *Advocate*, 18 *Jan.* (*RNPN*, 26 Jan. 1901); *Hindu*, 26 March 1901; *Bengalee*, 12 Jan. 1901; *Hitavadi*, 11 Jan. (*RNPBeng.*, 19 Jan. 1901); *Bangavasi*, 19 Jan. (*ibid.*, 26 Jan. 1901); B. N. Basu, *Rep. INC for* 1900, p. 103. Earlier, in 1894, *Sahachar* of 4 July had put forth the interesting hypothesis that the proposed mining legislation was aimed at 'starving all the Indian industries by increasing the price of Indian coal, and had commented in bitterness: 'The philanthropy which is now being shown her is, in plain words, pure *Juachuri*' (*RNPBeng.*, 14 July 1894).

137. *Report of the Millowners' Association for* 1891, p. 8. George Cotton, a prominent member of the Association, was even more forthright in speaking at the annual meeting of the Association: 'It must be considered as satisfactory that the recommendations appearing in the Commission are identical with those of this Association as represented in the Factory

approval of most of the legislative measures being suggested or enacted was duly noted by some of the contemporary Indian newspapers.[138] In fact, in view of the authoritative support lent by the employers to the findings of the Bombay Factory Commission of 1885, the recommendations of the Factory Commission of 1890, and the Factories Act of 1891, we are led to the conclusion that the nationalist opposition to them represented a typical case of the faithful being holier than the Pope.[139]

But much more important than the support or opposition offered by the Indian leaders to the proposed or actual labour legislation was their near-total *absence* of active sympathy for the extremely oppressed class of factory and mining workers. Practically all the oracles of Indian economic thought had little or almost nothing to say on the subject. Ranade, the *nyayamurti* (justice-incarnate) of Indian politics and the doyen of social reformers, was completely silent on the misery of the labouring classes.[140] Dadabhai Naoroji, whose heart bled at the poverty of the Indian people, made no mention of the low

Commission of 1884, and such as have from time to time found expression in this room.... I do not think that we as mill agents have much or anything to complain of in regard to it (the Factories Act of 1891). On the contrary, we have to thank the Government for the measures they have adopted' (emphasis added) (*ibid.*, p. 211). Also see J. L. Mackay (*LCP*, 1891, Vol. XXX, p. 162): 'I consider the Government of India have fought our battle with valour, and at the same time with discretion.'

138. *Bombay Samachar*, 3 and 5 Feb. (RNPBom., 8 Feb. 1890); *Mahratta*, 22 June 1890; *Jame-Jamshed*, 8 March (RNPBom., 14 March 1891).

139. The Hindi expression *mudai sust aur gwah chust* expresses this idea much better.

140. In his book, *Ranade, The Prophet of Liberated India*, D. G. Karve has stated that Ranade wanted the state 'to interfere so as to regulate the course of industrialisation in such a way as to cause the least avoidable hardship' (p. 118). But we have failed to find any such reference to labour and industry in Ranade's *Essays on Indian Economics* or in any other known essay of his. Unfortunately, Karve has given no reference. On the other hand, Bhabatosh Datta has observed: 'Throughout his writings one searches in vain for any reference to the necessity of justice between the classes, to the evil effects of concentration of capital in the hands of a few, to the need for trade unions, or to the importance of comprehensive measures to protect the interests of the employees vis-a-vis those of the employers.' 'The Background of Ranade's Economics', *Indian Journal of Economics*, Jan. 1942, Vol. XXII, No. 3, pp. 262-3.

standard of living of the factory labourers. G. V. Joshi, whose encyclopaedic mind encompassed the whole range and every aspect of Indian economics, seemed to have been impervious to the call of labour economics. R. C. Dutt had not a word to say about factory labour in his far-ranging *Economic History of India* or in his numerous articles and public addresses. As editor of the *Hindu* till the end of the 19th century, G. Subramaniya Iyer was more or less hostile to the interests of the factory labourers. G. K. Gokhale did not speak of their difficulties in any of his renowned public or parliamentary addresses.[141] The only reference to the labour problem in the speeches of Surendranath Banerjea reveals utter lack of sympathy for the sufferings of the factory workers.[142] Furthermore, the *Bengalee*, edited by him, was generally averse to factory legislation. The Indian National Congress did not adopt any resolution expressing concern over the lot of the factory workers, as a matter of fact the only resolution it passed relating to mining legislation was anti-labour. Most of the leading nationalist newspapers, e.g., the *Amrita Bazar Patrika*, the *Hindu*, the *Mahratta*, the *Kesari*, the *Indu Prakash*, the *Dnyan Prakash*, the *Native Opinion*, the *Advocate*, the *Tribune*, either remained silent or adopted an attitude of hostility towards labour. In the normal course of events such complete silence on the part of the nationalist leadership could have been perhaps overlooked. But when we keep in view that the condition of factory workers during this period was really appalling and shocking and that their miserable plight was a burning public issue at that time, especially between 1881 to 1891, this silence acquires a significant, if not ominous, meaning. Where speech is urgently called for, silence itself becomes eloquent. If nothing else, the lot of the children and women working to their bones in factories and mines should have evoked the wrath of the leading Brahmos of Bengal, the refor-

141. On the contrary he voted in 1911 against the provision of the Indian Factories Bill of 1911 limiting male adult labour in textile factories to 12 hours a day.

142. In CPA, pp. 264-5.

mers of Bombay and Madras, the radicals of Poona, and the Arya Samajists of Lahore. An explanation of this indifference is perhaps to be found in a stray sentence in the writings of Justice Ranade. Factory legislation in India, he wrote in his essay on *The Re-organization of Real Credit in India*, 'though reasonable in its way, affects but a drop in the ocean of Humanity in India'.[143] But a much more likely and plausible explanation, we feel, lies in the Indian leaders' complete and undivided devotion to the cause of rapid industrialisation that blinded them altogether to the miseries that were being produced in its train by the capitalistic factory system of production. This does not, of course, absolve them from blame. In their anxiety to ensure rapid industrialisation of the country, which they saw as the panacea for the growing evils of the general poverty of the masses, the fast dwindling means of employment, and the growing pressure of population on land, they imagined behind every move for factory legislation either the hand of Manchester—which did indeed intrude too openly—or the threat of foreign competition, but not the objective needs and interests of the rising working class. They thus became the protagonists of the class of industrial capitalists, or, at least, played into its hands. Moreover, even the problem of industrialisation was seen by them entirely from the point of view of the employers. The only method of improving the competitive position of Indian industries vis-a-vis foreign competitors that the Indian employers could visualise, and which most of the Indian leaders advocated, was that of keeping the costs of production as low as possible by such means as lower wages, longer hours of work, etc., or, in short, by resorting to sweated labour. In fact, the Indian leaders accepted, though tacitly and indirectly, Lancashire's accusation that excessive exploitation of its labour was giving Indian industry indirect protection. It just did not occur to them that a lowering of profits could also have improved the competitive position of Indian industry. Nor did they recommend the provision of

143. Ranade, *Essays*, p. 60.

incentives to the workers or adoption of certain other methods of improving industrial productivity. As a matter of fact, the rise in the productivity of Indian labour during this period was so rapid,[144] and the profits of Indian mills were normally so high,[145] that the factory workers' lot could have been easily bettered without impairing to the slightest extent the competitive position of Indian industry in its contest with its English rivals. But, then, the Indian national leadership during this period considered the interests of modern industry exclusively in terms of the interests of the capitalists.

It is, of course, not suggested that the Indian leadership could, or should, have at that particular historical moment and under the then existing political and economic circumstances taken any steps that would have accentuated class conflict between the two new rising classes of Indian society. Certainly, for political reasons, if for nothing else, it was expedient and even essential to unite all the people for the common national struggle for political and economic emancipation. It was axiomatic at that time that this struggle was the most important task facing the people of India and that nothing should be done to divide people on other grounds. At the very second session of the Indian National Congress, Dadabhai Naoroji had laid down the dictum that the Congress 'must confine itself to questions in which the entire nation has a direct participation, and it must leave the adjustment of social reforms and other class questions to Class Congresses'.[146] But differences, clashes of interests, and even conflicts could, and did, arise even within the nationalist fold. How were these to be resolved and removed? It was here that the bias of the nationalist leader-

144. Wadia and Merchant, *op. cit.*, p. 373.

145. James Jones, Factory Inspector, reported in 1887 that Bombay textile industry was extremely prosperous and that several mills had *paid back whole of their capital in four years* (Cited in Clow, *op. cit.*, p. 17). The average annual net profits of Indian textile industry during 1905 and 1906 were Rs. 227 lakhs, while its annual wage bill for these two years was only Rs. 209 lakhs. S. D. Mehta, *The Indian Cotton Textile Industry* (Bombay, 1953), p. 203.

146. In *CPA*, p. 12.

ship showed itself. For in the case of the conflict between the employers and their employees the national leaders did not suggest a compromise formula based on mutual concessions by both the parties to the dispute; they either remained silent, which meant supporting by acquiescence the stronger party, or advocated, in the name of wider national interests, complete surrender of the interests of the factory and mining labourers. As the result of this approach the fulfilment of national aspirations in the industrial field, viz., growth and prosperity of Indian industry, occurred in the main through the sacrifices of the labouring classes. It may also be noted in this connection that many of the Indian leaders did not even hesitate to make common cause with British capitalists and bureaucrats, who were otherwise an anathema to the nationalists, against the interests of the workers.

V. PLANTATION LABOUR AND THE INLAND EMIGRATION ACT, 1882

The attitude of the Indian national leadership underwent a *volte-face* where Indian labourers employed in British-owned plantations were concerned. This complete change of front is nowhere more evident than in their attitude towards the conditions of work and of life of the thousands of workers employed in Assam tea plantations, who were commonly known as Assam Coolies. To the misery of plantation labourers, the Indian leaders responded with whole-hearted sympathy and concern. They declaimed against the heartless foreign capitalists, bewailed the fate of the defenceless and voiceless workers, and unstintingly pleaded their cause. In this case, they gave full play to their nationalism and used the miseries and humiliations suffered by the coolies to awaken the dormant feelings of collective national abasement and wounded national pride, lighting in the process the torch of nationalism in innumerable hearts. This reversal of position was quite a conscious act and was at least partially based on the fact that the employers in this case happened to be foreigners. This view was very lucidly summed up by P. Ananda Charlu, President of

the Congress in 1891, in his speech on the Assam Labour and Emigration Bill in the Legislative Council in 1901, as follows:

> Such legislation may perhaps not be insisted upon when the employer and the employed are part and parcel of the same nation, and where, on that ground in particular, much less friction and much greater fraternal feeling are to be met with. When conditions for such congenial mutuality and for such hearty 'give and take' do not exist, or rather are at a discount, there is an *a' fortiori* case for periodical intercession to cancel unconscious excess of unilateral proclivities.[147]

Another factor that influenced the judgement of Indian leaders was the fact that Assam tea labour was largely indentured and its conditions of work were extremely unwholesome.

Tea industry may be said to have had its real beginning in India in the year 1851; thereafter, it made rapid progress. During the period under study, most of the tea-gardens were situated in Assam. In 1903, the industry employed 479,000 permanent and 93,000 temporary employees.[148] Since Assam was sparsely populated and the tea plantations were often located on uninhabited hillsides, bulk of the sorely needed labour had to be imported from Bengal and other provinces. But to bring thousands of people every year from their far-off homes into strange lands, possessing an unhealthy climate and infected with strange fevers, required the provision of financial and other incentives, which the tea-planters of Assam were unwilling to offer. Instead, they had recourse to fraud and coercion; and they persuaded the government to aid and abet them in this unholy task by passing penal laws.[149] Thus began the

147. *LCP*, 1901, Vol. XL, p. 132.

148. *Imperial Gazetteer of India* (1908), Vol. III, pp. 56-7.

149. Cf. Curzon, *Speeches II*, pp. 238-9. The labour system in Assam was essentially that of indenture by which the labourers went to Assam under contract for a number of years. The government helped the planters by providing for penal sanction in case of non-fulfilment of the contract by the labourers. Under Indian conditions, the indenture system placed the labourers, once they had reached the tea-gardens, at the complete mercy of the planters. This was put most explicitly by T. Raleigh, Law Member, when speaking on the Assam Labour and Emigration Bill of 1901: 'The

tale of woe and misery of the Assam tea-plantation labourers who found to their sorrow that the 'economic development' of the country by foreign capitalists, while resulting in the creation of new opportunities of employment, threw them from the frying pan of their traditional rural poverty into the fire of misery and exploitation of indentured labour.

The recruitment of labourers for tea-gardens of Assam was carried on for years mostly by contractors under the provisions of the Transport of Native Labourers Act (No. III) of 1863 of Bengal, as amended in 1865, 1870 and 1873. Although supposedly enacted for the protection of the labourers under contract, since it provided for licensed recruitment, the Act as amended in 1865, in reality benefited only the planters. It made not only desertion but also indolence on the workers' part punishable under law; moreover, it empowered the planters to arrest 'absconders' within the limits of the district in which they were employed. In order to keep the labourers on the straight and narrow path, the planters also utilised an earlier Act, viz., Act No. XIII of 1859, which made a breach of contract—an euphemism for refusal to work—by a labourer, who had taken monetary advance on the promise of work, liable to criminal action and penalty, and Sections 490 and 492 of the Indian Penal Code (Act No. XLV of 1860), which made a breach of contract during the journey and at the place of work a criminal offence in case the worker was carried to the place of work at the expense of the employer.

The existing laws having proved inadequate in meeting the hunger of tea-gardens for more and more men, the Government of India appointed a Commission of Enquiry in 1881 to deal

labour-contract authorised by this Bill is a transaction by which, to put it rather bluntly, a man is often committed to Assam before he knows what he is doing, and is thereupon held to his promise for four years, with a threat of arrest and imprisonment if he fails to perform it. Conditions like these have no place in the ordinary law of master and servant. We made them part of the law of British India at the instance and for the benefit of the planters of Assam.... The fact remains that the motive power in this legislation is the interest of the planter, not the interest of the coolie' (LCP, 1901, Vol. XL, p. 133).

with the situation on an all-India basis. The Commission reported that, under the existing enactments, the planters were inadequately protected against the laziness and desertion of labourers, enforcement of contracts was difficult, and there were unnecessary restrictions upon recruitment by garden *sardars*.[150] In accordance with these recommendations, the Inland Emigration Act of 1882 was passed, which superceded all the existing Acts, though it did not repeal Act No. XIII of 1859. The Act of 1882 gave legal recognition to recruiting agents and made the signing of a contract much easier. It fixed the monthly minimum wage for men and women respectively at Rs. 5 and 4 for the first 3 years, and Rs. 6 and 5 for the 4th and 5th years. It also provided for the arrest by the employer of a labourer under contract without any warrant, if upon desertion he was found anywhere except within 5 miles of the place where a Magistrate resided.[151]

The Indian national leadership, particularly that of Bengal, reacted sharply to the acutely distressing plight of the Assam coolies and the attempts of the government to give legal sanction and support to the system of contract labour. Already in 1870's the vernacular press of Bengal had started writing of the abuses of the system and, thus, arousing the latent nationalism of the readers with hair-raising stories of the scandalous treatment meted out to the labourers in Assam.[152] Sometime around 1880, Ram Kumar Vidyaratna, a preacher of the Sadharan Brahmo Samaj, wrote a book *Kuli Kahini* (Coolie Story), highlighting the miserable lot of the Assam coolies. The book gained immediate popularity.[153]

150. Das, *History of Indian Labour Legislation*, p. 19.

151. *Inland Emigration Act*, 1882 (Act. No. 1 of 1882). The punishment for refusal to execute contract at the recruitment depot could extend up to imprisonment for one month; and for desertion on the journey or from the garden up to imprisonment for three months. The enticement or harbouring of a deserter could lead to imprisonment for one month or a fine of Rs. 200 or both.

152. Bipin Chandra Pal, *Memories of My Life and Times*, Vol. I (Cal., 1932), p. 246. (Hereafter referred to as *Memories*).

153. *Ibid.*, Vol. II (Cal., 1951), p. 53; J. C. Bagal, *History of the Indian Association* 1876-1951 (Cal., 1953), pp. 53, 102.

When the Inland Emigration Bill was introduced in 1881 and enacted in 1882, it was impassionately condemned by the Indian press for enslaving the coolie and leaving him entirely at the mercy of the planter.[154] For instance, the *Bengalee* of 17 December 1881 felt that the Bill involved 'a gross violation of the sacred right of personal liberty', and declared it to be 'in the very nature of a slave-law'. The *Brahmo Public Opinion* of 29 December 1881 remarked that the coolies 'are no better than chattels and the Bill treats them as such'. The *Indian Spectator*, from far off Bombay, censured the legislation for being 'nothing short of legalised thraldom for the unhappy Bengal cooly', and commented: 'Never was Labour left so entirely at the mercy of Capital.'[155] The Indian Association, the spokesman of the rising generation of young nationalists of Bengal, submitted a detailed memorial to the Government of India criticising certain provisions, especially Sections 170 & 172, of the Bill. The memorial urged that free rein should be given to the law of supply and demand, instead.[156] Most of the critics also alleged that the Act was being passed solely under the pressure, and in the interests, of the planters.[157]

The working of the Act during the next few years confirmed the gravest apprehensions and the gloomiest predictions of its critics. In the following decades, the Emigration Act was constantly and vehemently assailed by the national leadership, and the pitiful condition of the tea-garden labourers of Assam was lamented all over the country. The Emigration Act came to be popularly known all over the country as the 'slave-law'.[158] The people of India and, in particular, the people of Bengal,

154. See *RNPBeng.* for 6 Aug., 10, 17 Sept., 24, 31 Dec. 1881, 7, 14, 21, 28 Jan., 18 Feb. 1882; *Sahas*, 4 Feb. (*RNPPN*, 14 Feb. 1882).

155. 15 Jan. (*RNPBom.*, 21 Jan. 1882).

156. *Bengalee*, 14 Jan. 1882.

157. Memorial of the Indian Association, *ibid.*, and most of the nationalist newspapers of Bengal cited in f.n. 154 above. The *Bengalee* of 17 Dec. 1881 remarked that if India had possessed self-government, no such law would have been passed.

158. Dutt; *England and India*, p. 131, *EH II*, p. 352. Also see, C. Y. Chintamani, 'India and Lord Curzon', *HR*, April 1901, p. 243.

were moved to the depth of their hearts by the harrowing tales of 'enticement, elopement, torture, rape, and even murder' which were often brought to light by the Indian press.

The Indian Association, which always took a keen interest in the fate of the tea-garden labourers, once again espoused their cause when, in 1886, it deputed its Assistant Secretary, Dwarkanath Ganguli, to make on-the-spot enquiries. Ganguli narrated his experiences and the 'hideous tales' of oppression and near-slavery in the columns of the *Bengalee* and the *Sanjivani*.[159] Earlier in 1886, the Association had drawn the Viceroy's attention to the condition of the Assam coolies. Now, drawing upon the experience of its Assistant Secretary and upon several judgments delivered by the courts, the Association submitted, on 5 May 1888, another detailed memorial to the Government of India.[160] The Association continued to take interest in the matter and to send memorials to the authorities in India and in England in the later years.[161]

In course of time, the cause of the Assam coolies was also taken up by the Indian National Congress. What is surprising is that the initial attempts at raising the question in the Congress should have proved abortive. At the Madras Congress of 1887, the delegates from Bengal tried to persuade the Congress leadership to condemn 'the legalised inhumanities of the Assam Cooly Act'; but the request was turned down on the ingenious ground that the matter, being a provincial subject, could not be discussed at the all-India Congress.[162] A second attempt to raise the matter at the Allahabad session next year was again foiled.[163] The popular feeling on the subject was, however, running high throughout the country and the conservative Congress leadership had to yield to it sooner or later.

159. Bagal, *op. cit.*, p. 103.

160. *Ibid.*, p. 104. The memorial is reproduced in the above work as Appendix E.

161. *Report of the Indian Association*, 1892-3 to 1895-6, pp. 21-7, 82-8, 92.

162. B. C. Pal, *Memories*, Vol. II, pp. 54-5.

163. *Ibid.* However, the account of this second attempt given by Pal is wrong, based as it obviously was on the failing memory of old age. For a correct account, see *Rep. INC for 1888*, pp. 158-62.

Eventually, the Congress identified itself with the cause of the tea-garden labourers, when in 1896 it passed a resolution pleading for the repeal of the Emigration Act.[164] Both the mover of the resolution, Jogendra Chandra Ghosh, and the seconder, Bipin Chandra Pal, drew attention to the conditions of near-slavery prevailing in the tea-gardens.[165] The burden of the resolution was reiterated at the following four Congress sessions.[166]

In the meantime, frustrated by their experience at the Congress session of 1887, the leaders of Bengal had organised the first Bengal Provincial Conference of 25 October 1888, primarily to express their strong views on the Assam coolie question. The Provincial Conference proved very successful and was transformed by the organisers into an annual affair. It always took keen and active interest in the problems of Assam coolies.[167]

Through his *Economic History of India*, R. C. Dutt added his powerful voice to the general condemnation of this 'indelible stain' on the Indian tea-industry and demanded abolition of this 'system of semi-slavery'.[168]

However, the leading role in the agitation against the Emigration Act and the grave abuses which prevailed in the tea-gardens was assumed by the nationalist press. Showing complete sympathy for and solidarity with the coolies, the Indian newspapers protested, year in and year out, against their miserable lot, exhausting in the process their vocabulary of words expressing anger and sorrow. For instance, the nationalist newspapers throughout the country fully endorsed the memorial that the Indian Association submitted to the Govern-

164. Res. XV adopted at the 12th session, held at Calcutta.

165. *Rep. INC for 1896*, pp. 165-9. Speaking on the Resolution, R. K. Sarkar declared that 'more barbarous provisions it will not be possible to find in any Act of the country' (*ibid.*, p. 169).

166. Res. IV of 1897, Res. XX of 1898, Res. XIV of 1899, Res. X of 1900, and Res. XIII of 1901.

167. Bagal, *op. cit.*, pp. 105-07.

168. Vol. II, pp. 352, 522. Also see *England and India*, p. 131.

ment of India in 1888.[169] It may be mentioned in this context that special interest in the subject was taken by the *Bengalee* and the *Sanjivani*, edited by Surendranath Banerjea and Krishan Kumar Mitra respectively.[170]

The nationalist press and publicists made the systems of recruitment and transport a special target of their attack. They described in detail how, in contravention of the law, ignorant and illiterate persons were coerced and kidnapped and how they were decoyed and duped with false hopes and fraudulent promises into contracting away their freedom, by artful and unprincipled recruiters.[171] Once the coolie arrived on the tea plantation, complained the nationalists, he was abominably treated and terribly oppressed by the planters.[172] He was forcibly and illegally kept on the plantation and arrested and

169. *Bengalee*, 12 May 1888; for Bengal papers, see RNPBeng. for 26 May, 2, 9, 16, and 23 June 1888; *Voice of India*, July 1888 (Vol. VI, No. 7); *Indian Spectator*, 3 June (*ibid.*); *Aftab-i-Hind*, 15 June (RNPP, 23 June 1888); *Imperial Paper*, 23 June (*ibid.*, 7 July 1888).

170. In particular, see their issues for 1886 when a concerted attack on the 'Cooly' Act was launched in the press. *Sanjivani* published in October, November, and December a series of well-documented articles on the subject.

171. ABP, 19 Aug. 1886; *Sanjivani*, 20 Aug. (RNPBeng., 27 Aug. 1887); *Memorial of the Indian Association*, 1888; Bagal, *op. cit.*, Appendix E; newspapers cited in f.n. 169 above; ABP, 24 May 1888; *Hindu*, 30 May 1888; *Indu Prakash*, 11 June 1888; *Native Opinion*, 3 June 1888; A. M. Bhimji, *Rep. INC for* 1888, p. 160; *Rahbar*, 14 Feb. (RNPN, 18 Feb. 1892); Petition of the Indian Association to the Secretary of State in 1893, *Report of the Indian Association for 1892-3 to 1895-6*, p. 82; J. C. Ghose, *Rep. INC for 1896*, pp. 165-6; Dutt, *England and India*, p. 131, and *EH II*, p. 352. For instance, J. C. Ghose told the delegates to the Congress of 1896: 'I have seen poor men and women jump overboard into the deep waters of the Brahmaputra to escape a lot which is worse than death.' R. K. Sarkar narrated before the same Congress: 'Quite an army are let loose upon an ignorant, unwary public, and I assure you that their inroads into the interior create more panic than the incursion of Pindari free-booters in days gone by.' *Rep. INC for 1896*, pp. 165 and 170 respectively.

172. *Prabhati*, 4 June (RNP *Beng.*, 7 June 1884); *Sahachar*, 4 June (*ibid.*, 14 June 1884); *Sanjivani*, 22 Nov. (*ibid.*, 29 Nov. 1884); *Pataka*, 25 Sept., and *Navavibhakar*, 28 Sept. (*ibid.*, 3 Oct. 1885); *The Report of Native Press for Bengal for the year* 1886; *Som Prakash*, 19 July, and *Ananda Bazar Patrika*, 19 July (*ibid.*, 24 July 1886); *Sanjivani*, 7 Aug. (*ibid.*, 14 Aug. 1886); *Bharat Mihir*, 19 Aug. (*ibid.*, 28 Aug. 1886); *Sanjivani* for Oct., Nov., and Dec. (*ibid.*, Oct., Nov., and Dec. 1886); ABP, 19 Aug. 1886; *Hindu*, 24 June 1887; *Mahratta*, 12 Feb. and 27 May 1888; Memorial of Indian Association, 1888,

punished under penal laws if he tried to escape.[173] Dwarkanath Ganguli reported in 1886 that he had actually seen dungeons where unwilling labourers were illegally confined. He had also found that physical torture was a common practice in the tea-gardens.[174] Many of the Indian publicists narrated tales of the shocking treatment meted out to the coolies.[175] The nationalist newspapers and associations also publicised stories of rape of women and killing of men, and the frequent and gross miscarriage of justice in favour of the planters whenever the coolies or their well-wishers carried the matter to courts.[176]

The Indian leaders further argued that the high rate of mortality in the tea-plantations was a true index of the state of affairs there.[177] They also complained of the extremely low wages paid to the labourers in tea-gardens in spite of the unpleasant nature and conditions of work.[178] In fact, they declar-

loc. cit.; newspapers cited in f.n. 169 above; ABP, 24 May 1888; *Voice of India*, July 1888 (Vol. VI, No. 7); *Tribune*, 23 May 1888, *Indian Spectator*, 3 June 1888 (*ibid.*); *Rahbar*, 14 Feb. (RNPN, 18 Feb. 1892); *Bengalee*, 4 Feb. 1893; Dutt, *EH II*, p. 522; *Kaiser-i-Hind*, 8 March (RNPBom., 14 March 1903); G. S. Iyer, *EA*, p. 185.

173. ABP, 24 May 1888; Memorial of the Indian Association, 1888, *loc. cit.*; Dutt, *England and India*, p. 131, *EH II*, p. 352.

174. Bagal, *op. cit.*, p. 103. Also Memorial of the Indian Association, 1888, *loc. cit.*

175. J. C. Ghose recounted before the delegates assembled for the Congress session of 1896 an incident where a large number of men and women were collectively flogged. Quoting Chief Commissioner's Report on Labour Emigration into Assam for the year 1887, he described how 'in the case of women, they had been tied to a post in the porch of the Manager's house, their clothes lifted up to the waist, and had been beaten on the bare buttocks with a stirrup leather' (*Rep. INC for 1896*, p. 167).

176. *Report on the Native Press, Bengal*, 1886; *Som Prakash*, 19 July (RNP *Beng.*, 24 July 1886); ABP, 24 May and 19 July 1888; *Mahratta*, 12 Feb., 27 May 1888; *Tribune*, 23 May (VOI, July 1888); *Memorial* of the Indian Association, 1888, *loc. cit.*; J. C. Ghose, *Rep. INC for 1896*, p. 167; Dutt, *EH II*, p. 352; *Kaiser-i-Hind*, 8 March (RNPBom., 14 March 1903).

177. Memorial of the Indian Association, 1888, *loc. cit.*; *Tribune*, 23 May (VOI, July 1888); *Bengalee*, 4 Feb. 1893; J. C. Ghose, *Rep. INC for 1896*, p. 167; G. S. Iyer, *EA*, p. 185. Cf. Curzon, *Speeches II*, p. 243—'The terribly high rate of mortality that prevails among the Act-labourers, as compared with the free-labourers, in Assam.'

178. Indian Association's Petition to the Secretary of State, 1893, *Report of the Indian Association for 1892-3 to 1895-6*, p. 82; *Bengalee*, 21 Jan. 1893; J. C. Ghose, *Rep. INC for 1896*, p. 167; C. Y. Chintamani, 'India and Lord Curzon', *loc. cit.*, p. 243; G. S. Iyer, *EA*, pp. 180-5.

ed, one of the main reasons for enacting penal laws was that of keeping down wages and 'making coolies work on lower wages than they would ordinarily do, in other words, for cheating the coolie'.[179] Some of the Indians pointed out that labour shortage was not a real problem in India or in Assam, for higher wages could fetch all the needed labour.[180] They also vehemently refuted the theory that penal laws were needed to overcome the alleged inborn reluctance of the ignorant worker to work hard for his living even though he might be starving on his land. The truth was that the European colonisers wanted the native people to 'work as their slaves,' and 'if the latter refuse to work, they are stigmatised as lazy and ignorant of the "dignity of labour," and are forced to labour by the use of various expedients.'[181]

In fact, averred the Indian leaders, the entire system of coolie labour in Assam was nothing but a form of slavery, the life of the Indian coolie being no better than that of the ancient slaves or the modern Negro-slaves.[182] In this connection, B. C. Pal has narrated how in the 1880's the educated Bengal read and admired *Uncle Tom's Cabin* and then 'readily compared the condition of tea-garden labourers in Assam to

179. J. C. Ghose, *Rep. INC for* 1896, p. 167. Also *B. C. Pal, ibid.*, p. 168; *Bengalee*, 4 Feb. 1893; *Hitavadi*, 23 March (*RNP Beng.*, 31 March 1900). The Indian Association remarked in its Memorial of 10 March 1893; 'If the coolies are required to work in gardens that are unhealthy or that are far removed from their homes, it is only fair that they should receive remuneration proportionate to the sacrifices which they are called upon to make' (*Report of the Indian Association, 1892-3 to 1895-6*, p. 22).

180. J. C. Ghose, *Rep. INC for* 1896, p. 167; *Hitavadi*, 23 March (*RNPBeng.*, 31 March 1900); G. S. Iyer, *EA*, p. 182.

181. *Kesari*, 10 March (*RNPBom.*, 14 March 1903). Also see, J. C. Ghose, *Rep. INC for* 1896, p. 165; G. S. Iyer, *EA*, p. 181.

182. *Som Prakash*, 19 July, *Ananda Bazar Patrika*, 19 July (*RNPBeng.*, 24 July 1886); *ABP*, 19 May 1886; *Sanjivani*, 20 Aug. (*RNPBeng.*, 27 Aug. 1887); *Pratikar*, 26 May (*ibid.*, 2 June 1888); *Paridarshak*, 11 June (*ibid.*, 23 June 1888); *ABP*, 24 May 1888; *Mahratta*, 27 May 1888; *Hindu*, 30 May 1888; *Memorial of the Indian Association*, 1888, *loc. cit.*; *B. C. Pal, Rep. INC for* 1888, p. 159; *Bengalee*, 4 June 1892; *Report of the Indian Association* 1892-3 *to* 1895-6, pp. 22-7; J. C. Ghose, *Rep. INC for* 1896, p. 167; *Kesari*, 19 March (*RNPBom.*, 23 March 1901); *Kaiser-i-Hind*, 8 March (*ibid.*, 14 March 1903); Dutt, *EH II*, p. 352.

that of Negro Labour in America before the emancipation.'[183] Years later, the same writer commented in his *New India* of 26 August 1901: 'This system of penal labour is slavery modified and made up-to-date.'

But, then, what about the benefits derived by the country as a whole in the form of development of its hidden resources and the resultant addition to national production, and by the labourers in the form of employment and wages? This aspect of the problem was also noticed by some of the Indian writers. While freely admitting these benefits, the more moderate of them opined that they 'should not be secured by sacrificing the lives and liberties of a large section of Her Majesty's poorest, most ignorant and helpless subjects'.[184] Others, i.e., the angrier ones among them, felt that economic development of this type was totally undesirable. They would rather prefer 'that the tea trade should be ruined and Assam should become the abode of wild beasts than that this fearful custom of selling coolies as slaves should be kept up.'[185]

VI. THE WAY OUT

This state of affairs could not, however, be permitted to last. Even otherwise, it could not have continued for long. As early as 1887, the *Sanjivani* had sounded the tocsin:

> English rulers of India... try to put down this terrible oppression. English merchants... do not shut your eyes to so much misery which you in your greed for gold are inflicting upon human beings. For *it is impossible that much time can pass in this way*. Heaven's justice has overtaken and overwhelmed many powerful nations like you. Stop in your mad career, for you are sure to be brought to a reckoning for this. Try to remove every trace of this demoniacal custom from this country.[186] (Emphasis added).

183. B. C. Pal, *Memories*, Vol. II, p. 54.
184. *Bengalee*, 11 March 1893; *ABP*, 28 Feb. 1901; Dutt, *EH II*, pp. 351-2.
185. *Sanjivani*, 19 Nov. (*RNP Beng.*, 26 Nov. 1887). Also *ABP*, 19 July 1888.
186. 20 Aug. (*RNP Beng.*, 27 Aug. 1887).

The first step urged by the Indian leaders was a proper realisation on the part of the government of the real condition of the coolies and of the oppressive effects of the working of the Workmen's Breach of Contract Act of 1859 and the Inland Emigration Act of 1882. And for this purpose, they exhorted the government to appoint an independent Commission of Enquiry.[187] Secondly, they suggested that, keeping in view the labourers' ignorance and their helplessness in the face of powerful and rich planters, the government should adopt special measures to protect them from oppression.[188] One such measure should be the awarding of prompt and proper punishment to those managers of tea-estates who ill-treated their labourers.[189] But the most popular of the Indian demands was for the repeal of all penal laws,[190] and for the introduction of free emigration, so that the tea-gardens obtained workers 'from the teeming labour markets of India under the ordinary laws of demand and supply'.[191]

While entreating and pressing the government to relieve the misery of Assam coolies, some of the Indian leaders were aware that the alien government was not likely to move against

187. Indian Association's Memorial of May 1888, *loc. cit.*; Bagal, *op. cit.*, pp. 105-06; B. C. Pal, *Rep. INC for 1888*, pp. 158, 162; *ABP*, 19 Aug. 1886; *Bengalee*, 12 May 1888; *Mahratta*, 27 May 1888; *Hindu*, 30 May 1888; *Native Opinion*, 3 June 1888; *Indu Prakash*, 11 June 1888; *Voice of India*, July 1888 (Vol. VI, No. 7); *Tribune*, 23 May and *Indian Spectator*, 3 June (*ibid*); for Bengal papers, see *RNPBeng.* for 26 May, 2, 9, 23 June 1888; Memorial of the Indian Association, 1893, *Report of the Indian Association 1892-3 to 1895-6*, pp. 83-8.

188. *Sanjivani*, 29 Nov. (*RNP Beng.*, 29 Nov. 1884); *Mahratta*, 27 May 1888; *ABP*, 24 May 1888.

189. Memorial of the Indian Association, 1893, *loc. cit.*, pp. 23-7; *Bengalee*, 11 March 1893.

190. *Hindu*, 30 May 1888; *Bengalee*, 5 Dec. 1891; Memorial of the Indian Association, 1893, *Report of the Indian Association, 1892-3 to 1895-6*, p. 21; Memorial of the Indian Association, 1896, *ibid.*, p. 92; *Bengalee*, 6 June, and 15 Aug. 1896; Resolutions XV, IV, XX, XIV, X, and XIII, of INC for 1896, 1897, 1898, 1899, 1900, and 1901 respectively; *Hindu*, 3, 8 Nov. 1899; *New India*, 26 Aug. 1901; C. Y. Chintamani, 'India and Lord Curzon', *HR*, April 1901, p. 244; J. C. Ghose, *Rep. INC for 1901*, p. 166; Dutt, *EH II*, p. 352.

191. Dutt, *EH II*, p. 352. Also, Memorial of the Indian Association, 1893, *loc. cit.*, p. 22; *Bengalee*, 15 Aug. 1896; *Hitavadi*, 23 March (*RNP Beng.*, 31 March 1900); *ABP*, 26 Feb. 1901; *Hindu*, 13 March 1901.

European planters.[192] This consciousness led the *Sanjivani*, the staunchest friend of the Assam coolies, to give a call for self-help. Appealing to the manhood of the Indians, it remarked editorially on 14 August 1886 that, if they had not lost all vital energy, 'they should kindle such a fire in the land as will burn the Coolie Act into ashes'.[193] It also implored them to form an association for giving legal and other aid to the coolies, or those intending to become coolies, and for exercising general vigilance over the doings of the planters.[194] One of its correspondents even proposed that the educated Indians should stop taking tea 'for drinking Assam tea is nothing more or less than drinking the blood of the poor persecuted coolie'.[195] Interestingly, though not surprisingly, no one in India at that time suggested self-help by the tea-garden labourers themselves; for example, by means of formation of trade-unions. The coolies did, of course, take recourse to self-help in the form of assaults and riots,[196] but they were not given proper guidance by the nationalist leaders.

VII. THE ASSAM LABOUR AND EMIGRATION ACT, 1901

The question of the tea-garden labourers once again came to the forefront of Indian politics at the beginning of the 20th century, when as a result of persistent Indian agitation and the constant efforts of Henry Cotton, the liberal and courageous Chief Commissioner of Assam, the Government of India decided to enact a new law on the subject. The Assam Labour and Emigration Bill was moved in the Legislative Council on 13 October 1899 and enacted on 8 March 1901. While the new measure tried, though in a half-hearted manner, to improve

192. *Sanjivani*, 28 Aug. (*RNPBeng.*, 4 Sept. 1886); *Bharat Mihir*, 2 Sept. (*ibid.*, 11 Sept. 1886); C. Y. Chintamani, 'India and Lord Curzon', *HR*, April 1901, p. 244; Dutt, *EH I*, p. xiv, *EH II*, pp. 352, 522.

193. *RNPBeng.*, 21 Aug. 1886.

194. 28 Aug. (*ibid.*, 4 Sept. 1886). Also *Bharat Mihir*, 2 Sept. (*ibid.*, 11 Sept. 1886).

195. 3 Dec. (*ibid.*, 10 Dec. 1887).

196. See Das. *Plantation Labour in India* (Cal., 1931), pp. 34, 94-5.

the system of recruitment[197] — an object in which it failed on the whole, the grave abuses continuing as before[198] — one of its provisions, though of not much significance in the larger context of the purpose and effects of the entire Act, led to a great deal of controversy and became an object of nationalist agitation. The Bill, as originally introduced in 1899, provided for an increase of one rupee per month in the minimum wages of contract labourers as fixed under the Act of 1882. This provision was later amended by the Select Committee so that the monthly wages for men and women were respectively fixed at Rs. 5 and 4 in the first year, Rs. 5½ and Rs. 4½ in the second and third years, and Rs. 6 and Rs. 5 in the fourth year. Thus, the wages for the first and the fourth years remained the same as under the previous act.[199] Even though the nationalists regarded the Bill as basically an instrument designed to serve the planters and perpetuate forced labour,[200] they supported the clause relating to the enhancement of wages of the coolies as 'doing a bit of tardy justice to these helpless beings', even though they considered the enhancement to be very niggardly.[201]

197. Assam Labour and Emigration Act, 1901 (Act No. VI of 1901), Chapters I-VII. See in particular clause 3, empowering the local government to prohibit recruitment for emigration to any labour-district or part thereof. The penal clauses remained more or less unaltered. See Chapter IX of the Act.

198. Das, *History of Indian Labour Legislation*, p. 23; and Chaman Lall, *op. cit.*, Vol. II, pp. 6-7. Labourers' dissatisfaction with prevalent abuses found expression in 1903 in large-scale riots on the tea-gardens of Assam. See Das, *Plantation Labour in India*, p. 34.

199. Curzon, *Speeches II*, p. 245.

200. *Hindu*, 3 Nov. 1899; *ABP*, 26, 28 Feb. 1901; *Kesari*, 19 March (*RNP Bom.*, 23 March 1901); *Hitavadi*, 15 March (*RNPBeng.*, 23 March 1901); *Bengalee*, 19 March 1901.

201. *Sanjivani*, 2 Nov. (*RNPBeng.*, 11 Nov. 1899); *Bangavasi*, 11 Nov. (*ibid.*, 18 Nov. 1899); the Bengal papers covered in *RNPBeng.* for 9 March 1901; *Sanjivani*, 28 Feb., *Hitavadi*, 1 March, *Indian Mirror*, 1, 2 March 1901 (*ibid.*, 9 March 1901); *Bengalee*, 17, 22, 24 Feb. 1901; *ABP*, 26, 28 Feb. 1901; *Hindu*, 13 March 1901; *Madras Standard*, 10 March (*RNPM*, 16 March 1901); *Advocate*, 1 March (*RNPN*, 2 March 1901); Sri Ram, *LCP*, 1901, Vol. XL, p. 86; P. Ananda Charlu, *ibid.*, pp. 131-2. When J. Buckingham moved an amendment in the Council to fix the wages for men and women respectively at Rs. 5 and 4 for the first 3 years and at Rs. 6 and 5 for the 4th year, all the Indian members of the Council voted against it (*ibid.*, p. 146).

The fat was once again in the fire when the government accepted an amendment, moved on behalf of the tea-planters by J. Buckingham, suggesting postponement of the operation of the wages clause of the Act for two years.[202] In fact, Lord Curzon himself had in an earlier intervention in the debate directly invited the planters to ask for this concession.[203] To add fuel to the fire, the Viceroy publicly repudiated and rebuked the popular Chief Commissioner of Assam,[204] when the latter opposed the amendment on the ground that it would stultify the very inadequate concession that had just been won for the coolies.[205] The nationalist press and public men rose as one man against this surrender by Lord Curzon before the foreign planters.[206] Here was another reprehensible illustration, they observed, of the manner 'in which the interests of the European capitalists are carefully safeguarded at the cost of the Indian people'.[207] 'The primary object of British rule in India', wrote the *Bengalee* of 10 March 1901, 'is to benefit the European capitalist and merchant, even, if necessary, at the sacrifice of justice and humanity.' While condemning the Government of India, the nationalists showered full-throated

202. *LCP*, 1901, Vol. XL, p. 147.
203. Curzon, *Speeches II*, p. 236.
204. *Ibid.*, pp. 246-7. Also see pp. 234-5.
205. *LCP*, 1901, Vol. XL, p. 150.
206. *Bengalee*, 10 March and 19 March 1901; *Hindu*, 13 March 1901; *ABP*, 11 March 1901; for Bengal papers, see *RNPBeng.* for 16, 23, 30 March 1901: *Madras Standard*, 10 March, and *Swadesmitran*, 11 March (*RNPM*, 16 March 1901); *Indu Prakash*, 28 March (*RNPBom.*, 30 March 1901); *Oudh Times*, 7 March (*RNPN*, 9 March 1901); Dutt, *EH I*, p. xiv, and *EH II*, p. 522; Resol. XIII of the INC for 1901. P. Ananda Charlu, Sri Ram, and Bipin Krishna Bose, joined by Sir Henry Cotton, voted against Buckingham's amendment. *LCP*, 1901, Vol. XL, p. 158.
207. *Mahratta*, 17 March 1901. Also, *Indian Mirror*, 10 March, *Prativasi*, 11 March, (*RNPBeng.*, 16 March 1901); *Bangavasi*, 16 March, *Basumati*, 21 March (*ibid.*, 23 March 1901); *Prabhati*, 20 March (*ibid.*, 30 March 1901); Dutt, *EH I*, pp. xiv-xv, *EH II*, pp. 352 and 522. Dutt contrasted the attitude of the government towards the workers with that towards planters by giving another example. When, in 1903, the planters demanded the imposition of a cess on the exported tea the proceeds of which were to be used to promote the consumption of tea in India, 'The Government of India descended from its dignity by accepting this proposal, and thus constituting itself agents of tea-planters for the sale of tea' (*EH II*, pp. 522-3).

praise on Henry Cotton for his integrity and courage in championing the cause of the coolies.[208]

VIII. THE MADRAS PLANTERS' LABOUR ACT, 1903

The wrath of the nationalists against the foreign government and their sympathy for the plantation workers were aroused again when in 1903 the Madras Government enacted the Madras Planters' Labour Act. Based largely on the Assam Labour and Emigration Act of 1901, the Madras Act also provided for the arrest and punishment of deserters and the levy of fines and imprisonment for absenteeism and laziness. As in the case of the Assam Act, the Indian leaders censured the Madras Act as being monstrous, blasphemous, inhuman, hateful and unjust, and criticised it for unduly restricting the liberty of the coolie and attempting to legalise slavery in the Southern plantations.[209] They blamed the government for having become a mere tool in the hands of the planters and foreign capitalists whom it was always ready to oblige.[210]

IX. WIDER CONNECTIONS

As a by-product of their discussion of the problems of plantation labour, some of the Indian nationalist leaders did some loud thinking on some of the broader questions of politics and economics involved, and tried to establish wider connections between them and the government's attitude towards plan-

208. *ABP*, 11 March 1901; for Bengal papers, see *RNPBeng.* of 16, 23, 30 March 1901; *Kesari*, 19 March (*RNPBom.*, 23 March 1901); J. C. Ghose, *Rep. INC for 1901*, p. 165.

209. *Bengalee*, 15 Feb. 1903; *Hindu*, 28 Feb., 2, 3 March 1903; *Indian People*, 13 March 1903; *United India*, 3 March (*VOI*, 21 March 1903); *Indian Review*, Feb. 1903; nearly all the prominent nationalist papers of Madras and Bombay covered by the *RNPM* for 7 Feb. and 7 and 14 March 1903 and *RNPBom.* for 14 March 1903; G. S. Iyer, *EA*, p. 183. In the Madras Legislative Council the Madras Planters Labour Bill was vigorously opposed by most of the Indian members. See *Proceedings of the Madras Legislative Council*, 1902, Vol. XXX, pp. 211-6, and for 1903, Vol. XXXI, pp. 93-7.

210. *Bengalee*, 15 Feb. 1903; *Hindu*, 3 March 1903; *Indian People*, 13 March 1903; *United India*, 3 March (*VOI*, 21 March 1903); *Swadesmitran*, 5 Feb. (*RNPM*, 7 Feb. 1903); *Kaiser-i-Hind*, 8 March (*RNPBom.*, 14 March 1903).

tation labour. Firstly, the government's insistence on enacting pro-planter laws, in defiance of the opposition of the Indian National Congress, the Indian newspapers, and the Indian members of the Legislative Councils, convinced the Indian leaders that the government attached little weight to Indian public opinion.[211] They also noted that the reformed Legislative Councils had been totally ineffective in this regard, and that the government had ridden rough-shod over the wishes of their Indian members.[212] This prompted G. S. Iyer to comment: 'Never was a system of legislation a more solemn farce than the Indian system is at present.'[213] In fact, the faith of even the most moderate section of the Indian leadership in the sense of justice and progressiveness of the alien rulers was shaken. This loss of confidence is well brought out by the following comment of the *Kaiser-i-Hind* of 8 March 1903 on the enactment of the Madras Planters' Labour Act:

> We ask if these be the impartial legislators, who call themselves paternal but who, at the behest of a most selfish class, not to use a stronger epithet, enslave a voiceless and helpless people?... Who will deny that here is another solid proof of that decadence not only of British politics, but of British righteousness. Verily there are ominous signs all round of the decay of men and morals throughout the vast British Empire, which bode no good to it. Heaven defend the British nation from coming disasters.[214]

The *Kesari* of 10 March 1903 even tried to see the entire problem in the wider perspective of economic imperialism on a world-wide scale. After observing that 'In the present age of fierce competition, European nations are striving hard for material prosperity and exploiting the material and mineral

211. *Sudharak*, 9 March (RNPBom., 14 March 1903). Instead, noted G. S. Iyer, 'the only public bodies consulted are Chambers of Commerce, and the individuals are their leading representatives' (EA, p. 184).

212. *Kesari*, 10 March, *Sudharak*, 9 March (RNPBom., 14 March 1903); G. S. Iyer, EA, pp. 183-5.

213. G. S. Iyer, EA, p. 185.

214. RNPBom., 14 March 1903.

resources of uncivilised countries under the pretext of carrying the blessings of civilisation there', it complained that 'wherever the Europeans go for purposes of trade or colonisation, they make the native population work as slaves', and that 'the treatment of Kaffirs in South Africa and of Indian coolies in the tea gardens of Assam are instances of such oppression'. In conclusion, it expressed its sorrow at the thought 'that one portion of mankind should roll in wealth and that the rest of their fellow-beings should be forced to toil for their sake'.[215]

Some of the Indian leaders were also led to view the entire question of plantation labour as a part of the larger problem of relations between the working class and the capitalist class and to identify themselves with the former. For example, G. S. Iyer thought that the genesis of the policy of Government of India towards plantation labour lay in the fact that it looked upon the tea-industry as involving only the interests of the capitalists.[216] R. C. Dutt also felt that the capitalist influence on the government was too strong for it to be able to do anything for the workers.[217] The *Sanjivani* too came to the conclusion that the struggle in Assam was ultimately a conflict between labour and capital.[218] This new understanding and its importance for the nationalist movement were most clearly articulated by Bipin Chandra Pal in a speech in 1901, of which we are constrained to reproduce a long extract in view of its importance as well as novelty:

> This question, Mr Chairman, is an old question — the world wide question of the conflict of Labour and Capital. The forces of Capital already strong in the strength of the almighty dollar and combining themselves not only to keep out the Coolies out of their due reward but also shield even those who are condemned by Law Courts and punished by

215. *Ibid.*
216. G. S. Iyer, *EA*, p. 180, and 'Our Labour Problem', *HR*, Aug. 1901, pp. 117-8.
217. Dutt, *EH I*, pp. xiv-xv, *EH II*, pp. 352, 522.
218. 14 March (*RNPBeng.*, 23 March 1901).

> High Courts. And when that is done, should not the force of labour also combine? You represent the force of labour. Prince or peasants, Mr Chairman, we all of us stand in the position of labourers in this country, and they stand, all stand, in the position of capitalists.[219]

This attitude was evident as clearly, though at a more mundane level, in the speeches of P. Ananda Charlu on the Assam Labour and Emigration Bill. On the one hand, he argued that 'the claims of the mass of labourers who help no less in securing success to the enterprising, energetic and persistent capitalist' should not be ignored; on the other, he pleaded: 'Between the employer and the Labourers, the former can afford to bear the burden... while the latter can ill-afford to go without the increased wage.... To the former it may mean the reduction of some luxury, while to the latter it will be serious privation.'[220]

That the pro-labour sympathies of the Indian national leadership were aroused in the case of plantation labour primarily because of the foreign character of the capitalist enterprise involved and that they did not extend to the labourers working in the Indian-owned enterprises was dramatically demonstrated when exactly two weeks after the passing of the Assam Labour and Emigration Act on 8 March 1901, the Indian Mines Bill came up for discussion and enactment in the Legislative Council. And, as we have shown earlier, the entire Indian press and all the Indian members of the Council opposed the very moderate provisions of the Bill designed for the protection of women and children working in the mines. This ambivalence towards labour was also clearly present in the attitude of the Indian National Congress which, on the one hand, advised the government in 1900 to omit 'the provisions of the Indian Mines Bill, so far as they impose restrictions on the employment of labour', and, on the other, passed a resolution only one year later calling for an increase in the

219. *Rep. INC for* 1901, p. 168.
220. *LCP*, 1901, Vol. XL, pp. 131 and 153.

wages of Assam coolies.[221]

Another equally dramatic — or perhaps tragicomic —, though unbelievably cynical, illustration of this contradictory attitude was provided by an editorial in the *Hindu* of 3 March 1903. The *Hindu* had always been, as we have seen earlier, one of the staunchest opponents of all pro-planter legislation condemning all such laws as slave-laws. It had repeatedly voiced strong criticism of the Madras Planters' Bill. It did so in its editorial of 3 March 1903 also. But then it put forward in the same editorial the surprising demand that a similar law should be enacted for 'all employers of labour who experience difficulty not only in getting labourers but in compelling them to perform their contract'. Such a law, it said, was especially needed in the interests of the landholders of Southern India who would also find a penal labour law 'of immense benefit'. To strengthen its argument, the *Hindu* appealed to nationalism: 'There need be no class legislation even in regard of the Indian coolies, *who if they can be made slaves to European planters, may not improperly be made slaves to Indian agriculturists.* The Indian coolies are not made to slave for one class alone.' (Emphasis added). This line of reasoning requires no comment. The *Hindu* concluded with a demand that brings into sharp relief, with unconscious irony, its hypocritical sanctimony on the question. 'It is as unjust to deny it (a penal law) to them (Indian landholders) as it is unrighteous to hand over the coolie to the mercy of the planter on the hill.' The *Hindu* could have, however, derived one consolation: it was not alone in making this ridiculous demand. Two months later a similar plea was made by the *Swadesmitran*, another nationalist stalwart of Tamil journalism.[222]

X. G.I.P. RAILWAY SIGNALLERS' STRIKE

An interesting episode that illuminates the Indian national leadership's attitude towards labourers working in non-Indian

221. Resol. XIII of the INC for 1901, and Resol. XXIV of the INC for 1900.

222. 25 May (*RNPM*, 30 May 1903).

enterprises occurred in 1899 on the G.I.P. Railway. In the first week of May of that year, over 800 signallers of the railway went on strike when their demands relating, *inter alia*, to non-reduction of salaries, systematisation of promotions, limitation of hours of work, and provision of regular holidays were rejected by the management of the railway company.[223] According to press reports, the strike hit the railway rather hard; the goods traffic was generally curtailed and suspended in certain cases; the passenger traffic too suffered from heavy dislocation and frequent and long delays of the trains.[224] This was perhaps the first organised strike by any section of the Indian working class.[225] The signallers had a regular organisation that had its headquarters at Sholapur and its own hired firm of solicitors. The strike was preceded by a two year-long agitation and presentation of a charter of demands and an ultimatum.[226]

In a way, this organised action by railway workers, though admittedly by white-collar ones only, was, in Indian conditions of the times, a more radical step in the direction of labour welfare than any taken so far by the government through legislation. It had implications for the capitalists that went far beyond the immediate issues and parties involved.[227] Therefore, keeping in mind the indifference of the nationalists towards factory labour, one would have expected in their ranks an attitude of neutrality, if not of open hostility, or, at the most, of mild approbation, towards the signallers' strike. In reality,

223. *Mahratta*, 7, 21 May 1899.

224. *Mahratta*, 14 May 1899; *Sudharak*, 15 May (*RNPBom.*, 20 May 1899).

225. As far as we know, this fact has been completely ignored by the historians of the labour movement in India. Surprisingly, they don't even refer to this strike. The earlier strike of the Anglo-Indian guards on the same railway is generally referred to; but it can hardly be said to have involved Indian workers. As a matter of fact, many strikes did occur in Bombay and Calcutta textile mills before 1899; they were, however, spontaneous and unorganised. or at the most semi-organised.

226. *Kesari*, 16 May (*RNPBom.*, 20 May 1899).

227. This was clearly seen by *Kaiser-i-Hind* of 14 May 1899, which pointed out that 'if successful, it will set a very pernicious example to other workmen' (*RNPBom.*, 20 May 1899).

however, all but one of the leading nationalist newspapers of Bombay supported the strike very warmly.[228] And what is perhaps even more surprising, it struck a sympathetic chord in the columns of many other, distant nationalist newspapers like *the Amrita Bazar Patrika*, the *Hitavadi*, the *Hindu*, and the *Hindustani*. It was, of course, B. G. Tilak's two newspapers, the *Mahratta* and the *Kesari*, which made the cause of the strikers their own and for months agitated for it in their columns.

The Indian newspapers declared that the signallers were quite right in going on strike, since they had been for a long time ill-paid, hard worked and inequitably treated; and that their demands were quite legitimate, fair and reasonable, and, indeed, worthy of sympathy and support. Moreover, the signallers had been forced to resort to this course of action by the persistent refusal of the management to redress their genuine grievances.[229]

Some of the newspapers went beyond mere sympathy; they became ardent admirers of the strikers, and praised the firmness and unity displayed by them during the course of the strike.[230] Indeed, wrote the *Mahratta* of 28 May 1899, the strike was of more than momentary import, for the signallers had set an example of union and self sacrifice which others would do well to emulate. Similarly, the *Hindustani* of 7 June

228. The exception was the *Kaiser-i-Hind*. The ranks of the supporters included *Mahratta*, *Kesari*, *Indian Spectator*, *Indu Prakash*, *Sudharak*, *Native Opinion*, *Dnyan Prakash*, *Subodh Patrika* and *Moda Vritta*.

229. *Mahratta*, 7, 14, 21, 28 May, 4 June, 16 July 1899; for Bombay papers, see RNPBom. for 13, 20 May 1899; *ABP*, 24 May 1899; *Hitavadi*, 26 May (RNPBeng., 3 June 1899); *Hindu*, 8 May 1899; *Vrittanta Patrika*, 17 May (RNPM, 31 May 1899); *Hindustani*, 17 May (RNPN, 31 May 1899); *Jami-ul-Ulum*, 7 June, *Almora Akhbar*, 10 June, *Hindustani*, 7 June (*ibid.*, 14 June 1899); *Shahna-i-Hind*, 24 June and 1 July (*ibid.*, 5 July 1899). The *Amrita Bazar Patrika* even generalised the problem: 'These strikes are usually the attempts of the down-trodden to assert their right to live.... Whenever there is a strike it can be taken for granted that there is a real and widespread grievance, that has led them to take the risk of standing in opposition to their bread-giver' (24 May, 1899).

230. *Kesari*, 16, 30 May (RNPBom., 27 May, 3 June 1899); *Native Opinion*, 25 May (*ibid.*, 27 May 1899); *ABP*, 2 June 1899; *Hindustani*, 17, 31 May (RNPN, 31 May, 7 June 1899; *Mahratta*, 28 May 1899.

1899 exhorted the people of India to rise to the signallers' 'standard of morality' in striking together and refusing to negotiate separately with the management.[231] These newspapers constantly exhorted the strikers to remain steadfast even if they lost their jobs, and denounced as traitors all those who had joined service.[232]

The Indian newspapers strongly condemned the outlook, behaviour and actions of the railway management towards their employees.[233] The management's plea of 'discipline in a public utility' was dismissed as mere cant; and the blame for the inconvenience caused to the public was thrown on the management.[234] They urged the railway company to compromise with the strikers by removing their legitimate grievances and by agreeing, as already agreed to by the strikers, to let an arbitrator decide the dispute.[235]

The nationalist newspapers urged the government to intervene in the dispute and compel the management to accept the reasonable demands of the signallers.[236] They pointed out that, even apart from considerations of humanity, the government was under an obligation to do so because the G.I.P. Railway

231. *RNPN*, 14 June 1899.

232. *Kesari*, 23 May, *Native Opinion*, 25 May (*RNPBom.*, 27 May 1899); *Kesari*, 30 May (*ibid.*, 3 June 1899).

233. *Mahratta*, 7, 14, 21 May 1899; *Native Opinion*, 11 May, *Shri Sayaji Vijaya*, 6 May, *Dnyan Prakash*, 11 May (*RNPBom.*, 13 May 1899); *Indu Prakash*, 18 May, *Sudharak*, 15 May, *Native Opinion*, 18 May, *Kesari*, 16 May, *Gujarati*, 14 May (*ibid.*, 20 May 1899); *Native Opinion*, 25 May (*ibid.*, 27 May 1899); *Paisa Akhbar*, 17 June (*RNPP*, 1 July 1899); *Hindustani*, 17 May (*RNPN*, 31 May 1899).

234. *Mahratta*, 21 May 1899; *Kesari*, 16 May (*RNPBom.*, 20 May 1899).

235. *Mahratta*, 14 May 1899; *Indu Prakash*, 18 May, *Indian Spectator*, 14 May, Subodh Patrika, 14 May, *Native Opinion*, 18 May, *Gujarati*, 14 May (*RNPBom.*, 20 May 1899). The *Indian Spectator* of 14 May 1899 put the whole case an amicable settlement as follows: 'For good or for evil, we have now to organize labour in large bodies in this country. We cannot avoid it. And to organize labour is to show labour what its strength is. The only way to check the growth of antagonism between labour and capital is for the capitalists and workers to adopt conciliatory plans of coming to a settlement whenever disputes arise' (*ibid.*).

236. *Mahratta*, 7 May 1899; *Sudharak*, 15 May, *Kesari*, 16 May, *Indu Prakash*, 18 May, *Jame-Jamshed*, 16 May (*RNPBom.*, 20 May 1899); *Native Opinion*, 25 May, *Kesari*, 23 May (*ibid.*, 27 May 1899); *Vrittanta Patrika*, 17 May (*RNPM*, 31 May 1899); *Akhbar-i-Am*, 9 June (*RNPP*, 24 June 1899).

being a guaranteed railway the loss suffered by it on account of the strike would have to be borne by the government, that is, ultimately by the Indian tax-payers.[237] 'It is obviously unrighteous', commented the *Mahratta* of 28 May 1899, 'to make the people pay the cost required to defeat and disappoint a section of their own for whom they feel profound sympathy.' The nationalist newspapers also maintained that the government had a moral right, as well as a duty, to intercede in the strike since the railways were a public utility, any dislocation or mismanagement of whose services affected not only trade and public comfort and convenience but also the very safety of the passengers.[238] At the same time, they noted that the government not only refused to intervene on behalf of the strikers, or to remain neutral, but actively aided and upheld the railway management; and for this reason, they sharply censured its conduct.[239]

The wide-spread public sympathy for the signallers went further than mere words. The newspapers appealed to the public and the political associations to raise funds for the strikers.[240] Many people came forward on their own to help them. Public meetings were organised in different towns of Bombay Presidency, e.g. Ahmednagar, Amraoti, Dhulia, and Nagpur, to collect funds in their aid.[241] In Bombay, a gather-

237. *Mahratta*, 14, 21, 28 May, 4 June 1899; *Sudharak*, 15 May (*RNPBom.*, 27 May 1899); *Kesari*, 30 May (*ibid.*, 3 June 1899). The *Bombay Samachar* of 24 May 1899 reported that several leading persons met at the chambers of Pherozeshah M. Mehta and expressed a similar opinion. *Ibid.*, 27 June 1899.

238. *Mahratta*, 14, 21, 28 May; *Indu Prakash*, 18 May, *Sudharak*, 15 May, *Native Opinion*, 18 May, *Kesari*, 16 May (*RNPBom.*, 20 May 1899); *Native Opinion*, 25 May (*ibid.*, 27 May 1899).

239. *Mahratta*, 28 May 1899; *ABP*, 25 May 1899; *Moda Vritta* of the week ending 20 May, and *Gujarati*, 14 May (*RNPBom.*, 20 May 1899); *Kesari*, 30 May (*ibid.*, 3 June 1899); *Almora Akhbar*, 10 June (*RNPN*, 14 June 1899).

240. *Mahratta*, 28 May, 16 July 1899; *Native Opinion*, 18 May, *Kesari*, 16 May, *Gujarati*, 14 May (*RNPBom.*, 20 May 1899); *Khandesh Vaibhav*, 19 May, *Sudarshan*, 20 May, *Sudharak*, 22 May (*ibid.*, 27 May 1899); *Kesari*, 30 May (*ibid.*, 3 June 1899); *Hindustani*, 31 May (*RNPN*, 7 June 1899).

241. *Kesari*, 23 May (*RNPBom.*, 27 May 1899); *Mahratta*, 4 June 1899. While reporting the public meeting at Ahmednagar the *Jagadadarsh* of Ahmednagar mentioned that a leading citizen of the place had undertaken to maintain all signallers on the Dhond Manmad line for two months (*RNPBom.*, 27 May 1899).

ing of leading Indian citizens and merchants was held on 19 May at the chambers of Pherozeshah M. Mehta; it resolved to start a fund for the benefit of the strikers. A sum of Rs. 2,500 was subscribed on the spot, while an equal amount was promised the next day.[242] Money for this fund was also collected in Bengal by Surendra Nath Tagore and the Bengali monthly *Bharat*, edited by Miss Ghosal.[243] After the failure of the strike and the dismissal of nearly 700 signallers, a public fund on their behalf was started in Bombay of which D. E. Wacha was one of the treasurers.[244] The *Mahratta*, in its issue dated 16 July 1899, lent its full support to the endeavour. From the far away Calcutta, the *Amrita Bazar Patrika* of 4 July 1899 appealed to the zamindars and mercantile firms to give employment to the dismissed men.[245]

The key to an understanding of this radical pro-strike attitude of the Indian leaders lies precisely in their nationalism. The signallers on strike were Indians whereas the employing railway company was owned and administered by Englishmen — this one fact alone was sufficient to bring the dispute between the two into the main-stream of Indian nationalism and to raise it to the level of a national issue. In some cases, this particular understanding of the dispute was clearly formulated and explicitly expressed. For example, the *Mahratta* complained that the railway company was denying a living wage to the signallers because they were Indians. It wrote as follows on 21 May 1899 in a rather profound vein:

> But perhaps the Manager felt... that a black nigger has no right to earn anything more than bare living which would be left to him for his sustenance in order that he might cheerfully bear 'the white man's burden' when the latter was carrying out the civilising maxim imposed upon him by God by a skilful exploitation of the tropics whereby he would obtain all the profits and nothing would be left to

242. *Bombay Samachar*, 24 May, *Native Opinion*, 25 May (RNPBom., 27 May 1899).
243. *ABP*, 17 June 1899.
244. *Indu Prakash*, 27 June (RNPBom., 29 July 1899).
245. Also *Hindustani*, 2 Aug. (RNPN, 9 Aug. 1899).

> the nigger but just enough for sweating and breeding to the advantage of his master.

The *Amrita Bazar Patrika* also thought that the entire dispute had racial undertones. 'The Bombay Government cannot now escape from the humiliating position', it remarked editorially on 22 June 1899, 'that it helped the Railway Company and threw the signallers overboard simply because the latter were natives and the former were members of the ruling race.' The *Gujarati* of 14 May and the *Jame-Jamshed* of 16 May recounted in this connection that two years earlier when European guards of the same railway had gone on strike, both the railway company and the government had adopted a very different approach and had actually accepted their demands.[246] In fact, concluded the *Mahratta* of 16 July 1899, the signallers had been fighting for national honour as they had been 'actuated by the motive of maintaining their own and their society's self-respect'.

The nationalist motivation of Indian leadership's attitude towards the signaller's strike is also brought out in another way. There were numerous strikes in the Bombay textile mills during 1897 and 1898.[247] None of them was taken note of or supported by the leading nationalist newspapers; and the *Amrita Bazar Patrika,* which had so vocally supported the signallers' strike for higher wages, did not hesitate to condemn a few months later Bombay textile mill workers' strike against reduction of their wages. In this case, it contended in its issue of 10 January 1900 that the employers could not pay higher wages and that any attempt to compel them would only mean the destruction of an Indian Industry which would mean that the strikers too would have 'to starve in the end'.

XI. BEGINNINGS OF NEW ATTITUDES

With the growth of the Indian working class, and the slow emergence of the conflict between labour and capital, new

246. *RNPBom.*, 20 May 1899. Also *Hindustani,* 7 June (*RNPN,* 14 June 1899).

247. Mukhtar, *op. cit.*, p. 87; Buchanan, *op. cit.*, p. 422.

ideas regarding the social role of this new class and new attitudes about its rights and responsibilities began to make appearance in the ranks of Indian national leadership. It must, however, be kept in mind that these new ideas were confined to only a few of the Indian leaders and that they did not affect all of them in the same manner and to the same extent. Surprisingly enough, this new approach was enunciated for the first time at a meeting of the Bombay Millowners' Association in March 1899, when D. E. Wacha, himself a mill-agent, put forth the view that the cost of production of the textile industry could be reduced in two ways: firstly, by improving the quality of the raw cotton used, and, secondly, by 'improving the physical and sanitary condition' of the operatives. He asserted that long hours, low wages, and taxes on the food of the people had always led to the crippling of industrial development; on the other hand, shorter hours, higher wages, and provision of cheap food and housing facilities had inevitably resulted in energetic growth.[248] Wacha repeated this advice in April 1905 and pleaded for a working day of ten hours. Cautioning the mill-owners against 'industrial avarice' and the policy of killing 'the goose which lays the golden eggs', he warned that the labour question was certainly going to be 'the future vexing problem for mill-owners', and that it would be in their own interest to start solving it themselves rather than leave it to be settled through interference by the government or some other party on behalf of the workers.[249]

Bipin Chandra Pal was another leader who began to recognise at this time the significance of the emergence of industrial working class on the Indian scene. Unfortunately, most of his writings of the period 1901-05 have been lost, or, at least, they were not available to me. Only a few stray copies of the weekly *New India*, which he started publishing in 1901, are to be found in the public libraries of this country. A perusal of these reveals that Pal was certainly doing some unorthodox

248. Wacha, *Speeches*, pp. 435-7.
249. *Ibid.*, p. 445.

thinking on the labour problem. In an editorial in the *New India* of 9 September 1901, he wrote that the condition of the two-million strong class of labourers was 'a matter of profoundest significance to the present economic problem of the country'. It was from this class which worked under 'somewhat modern conditions' that new wants and new ideas of economic progress could percolate to the masses. Its interests were therefore of paramount importance and deserved to be promoted. While appreciating the official attempts to protect the interests of the labourers through legislation, Pal felt that because of 'the influence of the capitalists' being 'too strong", the government had not been able to do enough. In another editorial in the *New India* of 14 April 1902, he advocated the enactment of a workmen's compensation law against accidents.

It was, however, G. Subramaniya Iyer who made a systematic study of the labour question in his article, 'Our Labour Problem', in the *Hindustan Review and Kayastha Samachar* of August 1901, and in his book, *Some Economic Aspects of British Rule in India*, published in 1903. He was also the first national leader to try to look at the question from a consistently pro-labour angle.[250] He noted that the labour problem was beginning to arise in India just as it had earlier arisen in the West. This was, he said, also evident from the frequent strikes which had occurred of late in Calcutta, Bombay, and Madras.[251] In his opinion the fundamental factor in the situation was the condition of the labouring classes and 'the poverty and misery that characterise their lot'.[252] Their condition was made much worse by the fact that their ignorance and lack of education and 'intelligence' made them 'helpless whenever their interests get into a conflict with those of their powerful and educated

250. But he obviously acquired this pro-labour attitude some time near the close of the 19th century, because as editor of the *Hindu*, a responsibility which he relinquished only in 1900, he had consistently taken a pro-employer and anti-labour stand.

251. G. S. Iyer, EA, pp. 177-8; and 'Our Labour Problem', HR, Aug. 1901, p. 116.

252. EA, p. 175. Also pp. 185 and 188, and 'Our Labour Problem', *loc. cit.*, p. 118.

employers'.[253] But, he predicted, this state of affairs won't last for long, for a day would come when the Indian labourers would also rise up and demand and win political rights, the right to combine, and higher wages.[254]

At the same time, G. S. Iyer strongly reproved the government as well as the Indian National Congress and the innumerable political associations and conferences for neglecting the welfare of modern workers.[255] Upbraiding these organisations for this neglect, he observed:

> We have become so accustomed to the poverty, squalor, and degradation of these unfortunate classes that we have become callous, and our rulers, as well as ourselves, have no qualms of conscience at their condition, which is truly the result of the neglect and oppression of the higher classes of the community and of the State, during centuries.[256]

In this context, he vehemently rejected the doctrine of *laissez faire*. In his opinion, the law of competition was not the right principle to apply to this case since 'the competition is most unequal, the labourer, though nominally free, being the slave of the imperative requirements of his daily life. Starvation, or the sale of his labour at any price, is the only alternative.'[257] In fact, it was 'the relentless law of competition, or supply and demand, by which the rich become richer and the poor poorer,' that had reduced the Indian labourers to this pass.[258] What was then the alternative to *laissez faire*? G. S. Iyer recognised that a possible remedy could be the 'spontaneous development of a feeling of generosity or charity on the part of the employers towards the helpless poor'. But he was sceptical about the efficacy of this suggestion because the development of such a feeling was 'uncertain and indefinite and its practical operation must be spasmodical and capricious'. This

253. 'Our Labour Problem', *loc. cit.*, p. 119. Also EA, p. 178.
254. 'Our Labour Problem', *loc. cit.*, p. 120.
255. EA, p. 175.
256. *Ibid.*, pp. 228-9.
257. *Ibid.*, p. 227.
258. *Ibid.*, p. 230.

left only one way out. The State was 'the only agency that could and should take up the responsibility of protecting the weaker side in this unlimited and really unequal competition, erroneously called free.'[259]

At the same time, G. S. Iyer felt that the workers must combine and form their own organisations in order to protect their interests against the encroachments of employers.[260] At present, when one worker gave up his job in protest against some action of his employer, another worker was ready to take it up at reduced wages. In the absence of combination among the workers, the latter was 'subjected to no penalty of any kind by his community'. In contrast, the workers in other countries did not tolerate the fall of wages below a certain point; they struck work instead.[261] In fact, he noted, it was only after the English workers learnt to combine, and won the legal right to combine in 1824, that they began to advance, and it was 'organised labour' that had made 'the labouring classes such a powerful factor in the Western civilisation'.[262] He, therefore, urged the Indian workers to 'organise themselves into unions, and resist what they consider to be an infringement of their rights on the part of the employers.'[263] He also appealed to the public to give every help to the workers in undertaking the task of organising themselves.[264]

G. S. Iyer was also the first and the only nationalist economist to study the problems of agricultural labour. In his major work referred to earlier, he devoted an entire chapter to this topic. After dwelling on their utterly miserable lot, he advocated an increase in their wages and warned the government against yielding to the pressure of landowners to the detriment of the labourers.[265]

259. *Ibid.*, p. 227.
260. *Ibid.*, pp. 218-9.
261. *Ibid.*, p. 232.
262. *Ibid.*, p. 221.
263. *Ibid.*, p. 219. In this respect, he also maintained that 'whether there is any infringement in any particular instance, the labourers alone can judge' (*ibid.*).
264. *Ibid.*
265. *Ibid.*, p. 208.

Another Indian writer to show a keen awareness of the labour problem was Satis Chandra Mukherjea, the editor of the *Dawn*, whose views on the subject are to be found in the articles 'Aspects of Economic Life in England and India', published in the *Dawn* of August 1898, and 'The Indian Economic Problem', published in the *Dawn* of March, April, May, and June 1900. Mukherjea had a better understanding of the functioning of the industrial system of the West than any other contemporary Indian. Moreover, he claimed to be primarily guided in his thinking by the welfare of the worker and the ryot.[266] But his analysis of the labour problem gains importance for quite another reason also; it was the first articulation of the outlook of the growing class of petty-bourgeois intellectuals, professionals, clerical employees, etc., who were opposed to the rising class of capitalists but who could not, at the same time, identify themselves with the new class of proletariat. It was perhaps not fortuitous that this voice rose first of all in Bengal where educated employees and professionals abounded but native capitalists were scarce.

Mukherjea started out by accepting the premise that India's economic resources had to be developed to the full.[267] But, he argued, this simple proposition would not suffice, for another pertinent query arose at this stage: who developed and gained control over the resources?[268] After tracing the history of the development of British industries, he pointed out that hitherto all the advantages of industrialisation had accrued to the capitalists. All that had happened was that with the advent of modern industry

> the labouring population that had so long for some (previous)

266. At the outset of the article on 'The Indian Economic Problem', he declared: 'I look more directly... not so much to the welfare of the future capitalistic class as to the happiness and well-being of the great labouring population that would be dominated by that class. The future of the ryot and the artisan must always in my eyes look larger than any visions of glory national, or international, achieved at their expense' (*Dawn*, Vol. III, p. 233).

267. *Ibid.*, p. 336.

268. *Ibid.*, p. 229.

> centuries experienced the evils of domination by the great land-owning class, now fell into an equally depressed condition at the heels of the capitalist employer... though they in that sense (politically) emancipated, *now* became more and more economically dependent upon their capitalist-employers.[269]

Taking his facts from the famous work of Fredrick Engels, *State of Working Classes in England in* 1844, Mukherjea depicted the extreme poverty and poor conditions of the British workers.[270] Even modern legislation had failed, he averred, to eliminate these evils because these evils were 'more deep-seated than might ordinarily appear'.[271] Consequently, if the industrial system of the West was introduced in India, it would inevitably result in the creation of 'a small highly organised minority of a capitalist class, foreign or native, the growth of whose power and influence would not mean the growth of happiness of the masses'.[272] The labouring population, on the other hand, would 'be reduced into mere human machines, hewers of wood and drawers of water, lost to all sense of self-respect, helpless and liable to be domineered over by their masters.[273] To escape this miserable lot, the working masses would come together and form labour organisations on a gigantic scale and assist themselves by conducting 'a sort of labour-warfare against organised capitalistic forces'. This would make them *'a standing menace to peace and order'* and, indeed, 'a permanent social and political *danger*'.[274]

269. *Ibid.*, Vol. II, pp. 179-80; and Vol. III, p. 229.
270. *Ibid.*, Vol. III, p. 263.
271. *Ibid.*, Vol. II, p. 182.
272. *Ibid.*, Vol. III, p. 231, and p. 269. Mukherjea also pointed out that so far as oppression of the Indian worker was concerned, there would not be much difference between the foreign and Indian capital, though in other respects, e.g., loss due to drain, foreign capital was much more harmful than Indian capital (*ibid.*, p. 233).
273. *Ibid.*, p. 269. It should be noticed that in his attitude a fair amount of condescension, if not contempt, was added to a large dose of sympathy. In any case, this attitude can be contrasted with that of B.C. Pal who looked upon modern industrial labour as a carrier of progressive ideas. See above.
274. *Ibid.*, pp. 229, 231, 269. (Emphasis added).

These dual consequences of capitalistic industrialisation, Mukherjea felt, would place society on the horns of a real dilemma. While organisation of labour was a danger to the stability of society, absence of such organisation would be even worse. 'For the unchecked growth of a highly organised capitalist class would, ultimately, mean only *industrial serfdom*.'[275] This predicament should force people to pause and analyse whether the industrial problem of India could not be solved in any other way than 'by a wholesale incorporation, the good with the bad, the bad with the good' of a whole body of ideas and institutions which were 'admittedly tainted at the root'.[276]

Mukherjea's solution of the problem was a two-tiered one, moral and material. All economic life should be reorganised in such a manner that 'the competitive principle would give way to one based on a higher ethical basis'.[277] The economic problem should be treated as 'a part of the wider problem of corporate ethical life'.[278] In fact, in this new order of society, material progress, though encouraged, would be assigned a subordinate position and the people would have to recognise, 'in the first place, the essentially non-material, i.e., spiritual, character of all kinds of progress'.[279] At the material level, the evils of modern capitalistic industrialism would be avoided by doing away, as far as possible, with modern industrial organisation itself and by establishing in its place a system of production mainly based on industrial family organisations of workers, craftsmen, and agriculturists. These family organisations would be supplemented by large-scale capitalist enterprises like engineering projects, mines, railways, chemical and metallurgical

275. *Ibid.*, p. 232. Mukherjea went even further and declared that so long as the Western industrial system was adopted, support of labour organisation was mandatory on all those who cared for the labourers (*ibid.*, p. 229).

276. *Ibid.*, Vol. II, p. 183.

277. *Ibid.*, Vol. III, p. 226. Also, p. 230.

278. *Ibid.*, p. 232.

279. *Ibid.*, pp. 264-5. In his opinion, India was particularly suited to try out this experiment because it was culturally, philosophically, and by religion 'turned to Higher Life and not Higher Standard of Living' (p. 291).

industries, etc., which required expensive machinery and large amounts of capital and 'whose successful prosecution would not hinder, but be the means of helping on, individual and collective culture'.[280] Mukherjea claimed that this individualistic system of economic organisation would produce an independent, self-respecting class of workers whose very daily work would become a means of culture.[281] Combining the moral and economic contents of his system, Mukherjea was led to recommend as early as 1900 a corporate society primarily based on small-scale individualistic organisation of industry:

> My idea, then, is to help on the work of national development by putting before us the ideal of a higher culture for *all* workers, in all the various departments of activity, spiritual, intellectual, military, commercial and wage-earning; *by giving to each class a fixed, recognised and independent place in the social organisation* but all cooperating in such ordered co-ordination as to work for the advantage of whole, and as to further the spiritual evolution of *each ascending grade* and of the whole of Indian society.[282]

280. *Ibid.*, pp. 264, 269.
281. *Ibid.*, pp. 266, 269.
282. *Ibid.*, pp. 265-6. (Emphasis added)

CHAPTER IX

Agriculture, I

> The Congress agitation, which is so intimately connected with the landlord interest (was designed to compel the government to) abandon the taxes to which it is entitled which are levied from landlords, and spent in a great measure on the cultivator.
>
> — J. D. REES

> The country's emancipation can only be achieved by removing the clouds of lethargy and indifference which have been hanging over the peasant, who is the soul of India. We must remove these clouds, and for that we must completely identify ourselves with the peasant—we must feel that he is ours and we are his.
>
> — B. G. TILAK

The agrarian problem was perhaps the most important economic problem facing India at the close of the 19th century. Agriculture constituted the main economic activity of the people—nearly 80 per cent of the population depending on it for livelihood. The progressive ruralisation of the country during the 19th century under the initial impact of British supremacy had accentuated the traditional dependence of Indians on agriculture. Consequently, in the words of R. C. Dutt, if agriculture prospered, the people were well off, if crops failed, there was famine in the land.[1]

Besides, Indian agriculture was extremely backward and the agriculturist very poor. This fact was dramatically highlighted by the famine of 1876-8, 'the most terrible famine, to that date, known in India', and the great famines that held the country in their grip from 1896 to 1901. Another indication of the desperate situation of the peasantry was the growing unrest

1. Dutt, *Speeches II*, p. 90.

during the second half of the 19th century that found expression in the Pubna Riots of 1873 in Bengal, the Deccan Agrarian Riots of 1875 and the Phadke Uprising of 1878-9 in Bombay, and the Assam Agrarian Riots of 1894. The devastating famines and the agrarian unrest focussed the attention of both the government and the Indian national leadership on the problems and poverty of the Indian peasants.

The attitudes of the Indian leadership towards the different aspects of agriculture, the agrarian policies of the government, and the causes of the poverty of the peasant are discussed below under five heads: (1) land revenue or the peasant and the State; (2) the peasant and the landlord; (3) the peasant and the money-lender; (4) capitalist farming; and (5) agriculture and industry.

I. LAND REVENUE OR THE PEASANT AND THE STATE

As a result of a large number of historical factors, India came to have, by the middle of the 19th century, a medley of systems of land tenure and land revenue. It is, however, not possible to examine even briefly these systems here and we have to be content with the barest of possible summaries which cannot, obviously, pretend to be more than a fair approximation of the situation in this respect. In Bengal and north Madras land was held by landlords under the system of Permanent Settlement according to which they paid a permanently fixed land revenue to the government. In Northern India land was held by landlords or village communities who paid a land assessment that was revised by periodic new settlements of revenue. Under the ryotwari system prevailing in Bombay and Madras land was held by peasant proprietors, who paid land revenue directly to the state, the revenue being assessed on each individual holding separately and regularly revised at each new settlement.[2] The principles determining the pitch of revenue also varied according to time and place during the rule of the East India Company; but by the middle of the 19th century, a more or less uniform principle had been evolved, at least in theory, for

2. Dutt, *EHII*, p. 97.

all parts of the country not covered by the Permanent Settlement. This general principle or rule was that in areas under landlords or village communities half of the competitive rental—actual or hypothetical—and in the ryotwari areas half of the economic rent or net assets or net produce[3] would be taken as land revenue by the government.[4] This principle was of course not rigidly followed in practice, due attention being paid to other factors, such as continuity of the assessment with the existing revenue, an estimate of what the land could bear, the general condition of the people, and the selling value of land.[5] Enhancements over the existing assessments in particular were based on the net produce criterion only in a vague sort of way and were often the result of a large number of considerations.[6]

During the period of this study, land revenue was the most important source of public income, contributing as much as Rs. 19.67 crores out of the total net revenue of Rs. 46.86 crores in 1881-2 and 23.99 crores out of 60.79 crores in 1901-02.[7] As these figures show there was a steady increase of land

3. Net assets or produce was the difference between the value of the gross produce and the estimated cost of its production which was in turn calculated as the wages of labour and profits of capital employed in agriculture at average rate of profit.

4. Dutt, *EHII*, p. 98; *Imperial Gazetteer of India* (1908), Vol. IV, pp. 217-9.

5. *Imperial Gazetteer of India* (1908), Vol. IV, pp. 222-3.

6. The principles of enhancement generally followed by the government were summarised in 1884 by the Finance Member, A. Colvin, to be as follows: 'First, that all improvements made by landlords or tenants shall be exempted from assessment; secondly, that no reclassification or revaluation of the soil shall be allowed in any case in which the soil has been properly classed; thirdly, that the existing assessment shall be taken as the basis of revision, and shall be liable to alteration only on two or three carefully defined grounds. These grounds the Government of India is disposed to restrict to increase of cultivation, increase of produce due to improvements executed by the State, and rise of prices.' The Finance Member, however, went on to indicate, that the rules were not rigid and that their applicability to each case had to be decided separately (*Financial Statement*, 1884-5, para 75). Some say that the actual determination of revenue was even more empirical. See B. H. Baden-Powell, *A Short Account of the Land Revenue and its Administration in British India* (Oxford, 1894), p. 48.

7. *Imperial Gazetteer of India* (1908), Vol. IV, p. 201.

revenue receipts during these years,[8] the official explanation being that it was 'mainly due to extension of cultivation and rise of prices'.[9]

Of all the problems of Indian agriculture, the national leadership attached the greatest importance to the system of assessment and the pitch of land revenue. It declared the land revenue policy of the Government of India to be a major cause of the poverty and destitution of the peasant and of the backwardness of agriculture. The nationalist indictment of the official policy was initiated at the beginning of the period under study by Justice Ranade in the course of a series of articles on the problems of Indian agriculture in the *Journal of the Poona Sarvajanik Sabha*.[10] Thus, in 1879, in his article on the 'Agrarian Problem and Its Solution', he pointed to 'the unwelcome truth' that operations of Bombay Revenue Department 'had pauperised the country'.[11] In the article 'Land Law Reform and Agricultural Banks', published in 1881, he contended that no other agrarian reform would 'lead to any permanent beneficial result as long as the pressure of land revenue under the existing system of assessment continues unabated', and alleged that 'the state monopoly of land and its right to increase the assessment at its own discretion are the two most pre-eminent obstacles in the way of the growth of our material prosperity'.[12]

The cry against the land revenue policy of the government was in time taken up by other Indian leaders. The Indian

8. Between 1856-7 and 1901-02, land revenue increased by nearly 58.6 per cent. Calculated from figures given in *Financial Statements of 1888-9 and 1905-06.*

9. *Imperial Gazetteer of India* (1908), Vol. IV, p. 239. Also see Strachey, *India* (1903), p. 125.

10. These articles have been attributed to Ranade in Mankar, *op. cit.*, pp. 213-6.

11. *JPSS*, July 1879 (Vol. II, No. 1), p. 2. Also see pp. 19, 21.

12. *Ibid.*, Oct 1881 (Vol. IV, No. 2), p. 53. Also see *ibid.*, pp. 55, 57-8; 'The Deccan Agriculturists' Relief Bill', *ibid.*, Oct. 1879 (Vol. II, No. 2); 'The Law of Land Sale in British India', *ibid.*, Oct. 1880 (Vol. III, No. 2); 'Central Provinces, Land Revenue and Tenancy Bills', *ibid.*, April 1881 (Vol. III, No. 4); 'Emancipation of Serfs in Russia', *ibid.*, Oct. 1882 (Vol. V, No.

National Congress picked up the theme at its Nagpur session held in 1891, when it pronounced that the prevalence of poverty and starvation in the country was largely due, among other causes, to 'a short-sighted system of Land Revenue Administration whereby not only is all improvement in the agriculture of the country, on which nine-tenths of the population depend for subsistence, rendered impossible, but the gradual deterioration of that agriculture assured'.[13] Not a single year passed from 1888 to 1903 without the Congress passing a resolution on one or the other aspect of the land revenue administration. At the turn of the 20th century, and under the spur of the devastating famines, the nationalist criticism of land assessment was transformed into a veritable whirlwind campaign by R. C. Dutt. In a series of articles and speeches culminating in his famous Open Letters to Lord Curzon in 1900 and publication of the two-volume *Economic History of India*—which was largely devoted to an examination of the question of land revenue—Dutt repeatedly charged the land revenue system with paralysing agriculture, causing the poverty of Indian people, and deepening the extent and effect of famines.[14] In his crusade Dutt received valuable and weighty support from G. V. Joshi, who belaboured the administration of land revenue in Bombay in a series of letters published in the *Times of India* in 1900-01 under the pseudonym 'J.',[15] and Gokuldas K. Parekh, who effectively

2); 'Prussian Land Legislation and the Bengal Tenancy Bill', *ibid.*, Oct. 1883 (Vol. VI, No. 2), 'Proposed Reforms in the Re-Settlement of Land Assessments', *ibid.*, Jan. 1884 (Vol. VI, No. 3); and 'Protest and Warnings against the New Departure in the Land Assessment Policy'; *ibid.*, Apr. 1884 (Vol. VI, No. 4).

13. Resolution III.

14. For Dutt's indictment of the land revenue policy of the East India Company's administration, see, in particular, EHI, pp. 79, 189-90, 194, 231, 245, 362, 372-3; and *Open Letters to Lord Curzon* (written in 1900) (Calcutta, 1904) (hereafter referred to as *Open Letters*). For the later period, see, in particular, Dutt, *England and India*, p. 134; in CPA, pp. 481-90; *Speeches I*, pp. 27, 40, 158-60; *Open Letters*; *Speeches II*, pp. 30, 38; EHII, p. xiii; *Famines and Land Assessments in India* (London, 1900), pp. xi-xii.

15. Reproduced in Joshi, *op. cit.*, pp. 392-574. He had expressed similar views in 1884 (p. 696), and in 1890 in his essay on 'The Economic Situation in India—Agriculture' (see, in particular, pp. 672, 886, 904-05).

assailed the assessment of land in Gujarat.[16] Many other Indian public men and newspapers traced the root cause of the decay of agriculture and the poverty of the peasant to the administration of land revenue.[17] It may be noted in this connection that the criticism was confined mostly to the systems of land assessment in Bombay, Madras, and the Central Provinces. While land revenue in the permanently settled Bengal could obviously not be a cause of complaint, the pitch of assessment in the North-Western Provinces and Oudh and the Punjab was considered to be on the whole satisfactory, mainly because of the application of the Saharanpur Rules.[18]

Land revenue policy was, in fact, one of those issues on which the entire body of national leadership and opinion was firmly united. Since the nationalist criticism of the official land revenue policy is widely known through the writings of R. C. Dutt, I will examine only some of its aspects in this study and will therefore give here only a brief outline of the nationalist

16. See his article on 'The Bombay Land Revenue System' in the *Land Problems in India*, published by Natesan and Co. (Madras, 1902); extracts from his Presidential Address at the Bombay Provincial Conference, May 1900, reproduced in the *Bengalee*, 22 May 1900, and Digby, *op. cit.*, pp. 624-8; and *Rep. INC for 1902*, pp. 81 ff.

17. Letter from the Secretary of the Poona Sarvajanik Sabha, *JPSS*, Jan. 1879 (Vol. I, No. 3), pp. 37-43; Wacha, *Rep. INC for 1891*, p. 22, in *CPA*, pp. 561, 574-5; Ray, *Poverty*, pp. 180-1, *Indian Famines*, p. 50; P. Mehta, *Speeches*, p. 607; G. Venkataraman, *Rep. INC for 1895*, p. 131; A Nundy in *Indian Politics*, p. 130; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18716, *Rep. INC for 1900*, p. 29, *Rep. INC for 1901*, pp. 92-3; R. N. Mudholkar, *Rep. INC for 1901*, p. 87; Resolution passed by the 12th Bombay Provincial Conference, *Mahratta*, 16 Nov. 1902; Gokhale, *Speeches*, pp. 80-2, 110-2, 1017; L. M. Ghose in *CPA*, pp. 743, 757; L. A. G. Iyer, *Rep. INC for 1903*, p. 52; R. N. Mudholkar, 'The Economic Condition in India', *HR*, Aug. 1904. Among newspapers, see, for example, *Indu Prakash*, 25 Oct. (*RNPBom.*, 30 Oct. 1880); *Mahratta*, 31 July 1881, 1 Jan. 1882; *ABP*, 5 Oct. 1882, 18 March 1901; *Hindu*, 18 Jan., 5 Sept. 1884, 4 June 1900; *Indian Spectator*, 7 Jan. (*RNPBom.*, 13 Jan. 1883) (In its issue dated 18 May 1884, the *Indian Spectator* remarked that 'in all their relations with the children of the soil they (the British Indian authorities) have often displayed the craft of the brigand'); *Swadesamitran*, 27 July (*RNPM*, Aug. 1885); *Swadesamitran*, 13 Nov. (*ibid.*, 30 Nov. 1889); *Hindustan*, 3 March (*RNPN*, 10 March 1891); *Bengalee*, 13 Feb. 1892; *Swadesamitran*, 17 March, 28 Apr., 12 Dec. (*RNPM*, 31 March, 30 Apr., 15 Dec. 1900 respectively); *Kesari*, 25 Dec. (*RNPBom.*, 29 Dec. 1900); *New India*, 19 May 1902.

18. See, for example, Dutt, *Open Letters*, pp. 71, 74-5.

critique, confining myself to bringing out the wide scale on which it was made all over the country.

II. THE EVILS

According to the Indian leaders, the first major evil of the Indian land revenue system was the immoderately high pitch of assessment, which continued to be steadily enhanced at each recurring settlement to the maximum paying capacity of the cultivator, thus transforming land revenue into a virtual rack-rent that impoverished and 'crushed' the cultivating classes.[19]

19. See, for example, A letter from the Secretary of the Poona Sarvajanik Sabha, *JPSS*, Jan. 1879 (Vol. III, No. 1), pp. 37-9; Ranade, 'Agrarian Problem and Its Solution', *JPSS*, July 1879 (Vol. II, No. 1), pp. 5-9, 'Land Law Reform and Agricultural Banks', *JPSS*, Oct. 1881 (Vol. IV, No. 2), pp. 37, 54; Petition adopted at a public meeting at Poona on 16 May 1880, convened by the Poona Sarvajanik Sabha, *JPSS*, July 1880 (Vol. III, No. 1), p. 5; 'A Plea for the Spoliation of India', *JPSS*, Jan. 1885 (Vol. VII, No. 3), pp. 7-15; Telang, *Speeches*, p. 16; Resolutions XII, IX, VIII(a),III, III, III of INC for 1896, 1897, 1901, 1902, 1903, and 1904 respectively; Ray, *Poverty*, pp. 180-1, 184-9; Joshi, *op. cit.*, pp. 334, 392-536 (see, in particular, pp. 452-3, 457-61, 466-81, 494-5, 508-10), 890-902; P. Mehta, *Speeches*, p. 450; A. Nundy in *Indian Politics*, pp. 130-3; P. P. Pillai, *Rep. INC for 1892*, p. 99; Tilak, *Rep. INC for 1895*, p. 132; Dutt, *Speeches I*, pp. 21, 40, 180, in *CPA*, pp. 480-9, *Open Letters*, pp. 18-9, and the five letters, *Speeches II* pp. 30, 57, 179-80, *EHI*, pp. ix, 370 f.n., *EHII*, pp. xiii, 483, 490-1, 496-7, 535; Resolution passed at the 10th Bombay Provincial Conference (mover Tilak), *Mahratta*, 27 May 1900; G. K. Parekh, Presidential Address to the 10th Bombay Provincial Conference, *Bengalee*, 22 May 1900 (also Digby, *op. cit.*, pp. 624-8), *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX pp. 227-36, *Land Problems in India*, pp. 124-34, *Rep. INC for 1903*, p. 59; V. R. Nambyar, *Rep. INC for 1900*, p. 101; Wacha in *CPA*, pp. 561, 564, *Speeches*, p. 436; Gokhale, *Proceedings of the Council of the Governor of Bombay*, 1900, Vol. XXXVIII, pp. 92-3, *ibid.*, 1901, Vol. XXXIX, p. 244, *Speeches*, pp. 80-2, 110-12; R. N. Mudholkar, *Rep. INC for 1901*, pp. 86-7; G. S. Iyer, *ibid.*, p. 93, *EA*, p. 48; D. A. Khare's Presidential Address at the 13th Bombay Provincial Conference, *Mahratta*, 26 Apr. 1903; L. M. Ghose in *CPA*, pp. 757-9. For newspapers, see, for example, *Indu Prakash*, 25 Oct. and 29 Nov. (*RNPBom.*, 30 Oct. and 4 Dec. 1880 respectively); *Mahratta*, 1 Jan. 1882; *Indian Spectator*, 7 Jan. (*RNPBom.*, 13 Jan. 1883); *Hindu*, 18 Jan., 27 Feb., 5 Sept., 1884, 4 June 1900; *Swadesamitran*, 27 July (*RNPM*, Aug. 1885), 13 Nov. (*ibid.*, 30 Nov. 1889); *Swadesamitran*, 8 May, *Sasilekha*, 15 May (*ibid.*, 31 May 1896); *Tamil Prathinidhi*, 10 Oct. (*ibid.*, 31 Oct. 1900); *Swadesamitran*, 12 Dec. (*ibid.*, 15 Dec. 1900); communication from Mahbub Alam in *Paisa Akhbar*, 4 Aug. (*RNPP*, 18 Aug. 1900); *Kesari*, 25 Dec. (*RNP Bom.*, 29 Dec. 1900), 12 March (*ibid.*, 16 March 1901); *ABP*, 17, 23 Jan., 18 March 1901; *New India*, 19 May 1902.

Many of them claimed that the actual land revenue demand in many parts of the country was much higher than half the net rental or net produce that had been accepted by the government as the utmost limit of its demand, and often amounted to more than 20 per cent of the gross produce.[20] The assessment was sometimes pitched so high in Bombay and Madras that the whole of the economic rent was absorbed by it.[21] Moreover, in the case of inferior lands and subsistence and uneconomic holdings, the government demand went to the extent of trenching upon the wages of the cultivator and the profits of his capital. Thus, Justice Ranade remarked in 1879:

> Further as on all inferior lands the cost of cultivation and of the Ryots' subsistence approaches very nearly the whole value of the crop, no profits are earned by him, as he subsists only because he works on his field. There can be, therefore, no economic rent, and the Ryot pays the Government land-tax, either with borrowed money, or else from income derived otherwise than from his land.[22]

Consequently, heavy assessment sometimes amounted to confiscation of private property in land and transformation of the peasant proprietor into a virtual serf of the state.[23]

20. Ranade, *JPSS*, July 1879 (Vol. II, No. 1), p. 11, and Oct. 1881 (Vol. IV, No. 2), p. 55; 'A Plea for the Spoliation of India', *ibid.*, Jan. 1885 (Vol. VII, No. 3), p. 16; Joshi, *op. cit.*, pp. 890-1; Dutt in *CPA*, p. 488, *Famines in India*, p. xi, *Open Letters*, pp. 19, 39 f.n., 51. *Speeches II*, pp. 73, 179-80, *EHII*, pp. xiii, 98, 306, 320, 489, 499, 502; G. S. Iyer, *EA*, p. 47 ff.

21. Dutt, *Speeches II*, pp. 57, 74, 177, 202, *EHI*, pp. x, 169-70, *EHII*, pp. 98, 335, 492, 499; G. S. Iyer, *EA*, pp. 50-1.

22. *JPSS*, July 1879 (Vol. II, No. 1), p. 9. Also see *Report of the Sub-Committee of the Poona Sarvajanik Sabha* (Poona, 1873), pp. 32, 53; Tilak, *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXXIII, p. 91; A. Nundy in *Indian Politics*, pp. 111, 132; Joshi, *op. cit.*, pp. 476, 479-80, 497, 499-500; Gokhale, *Proceedings of the Council of the Governor of Bombay*, 1900, Vol. XXXVIII, p. 94; G. K. Parekh in *Land Problems in India*, p. 147; Dutt, *EHII*, p. 493 f.n.; G. S. Iyer, *EA*, pp. 50, 79-80. Also see *ABP*, 18 Oct. 1900 and 12 Feb. 1902; P. P. Pillai, *Rep. INC* for 1903, p. 60. Ranade also pleaded that revenue officials should make allowance for the fact that land had to maintain an ever-growing population, *JPSS*, July 1879 (Vol. II, No. 1), p. 3.

23. Letter from the Secretary of the Poona Sarvajanik Sabha, *JPSS*, Jan. 1879 (Vol. I, No. 3), p. 37; Ranade, *JPSS*, Oct. 1881 (Vol. IV, No. 2), pp. 54.

Apart from statistical proof that was offered in nearly all the nationalist writings and speeches on the subject, some of the Indian leaders also suggested that the undue pressure that had to be exerted to collect land revenue from recalcitrant cultivators, the large number of holdings sold for arrears of land revenue, and the increasing number of distress sales and mortgages of land were all indications of the excessively high pitch of land assessment.[24] The extent of famines and starvation deaths in the country also pointed to the same fact.[25] They also controverted the view that the continuous increase in the price of land or the steady rise in rents all over the country were the results, as well as the proofs, of low assessment. On the contrary, they argued, these phenomena were much more likely the products of increasing competition for land among the cultivators because of the growing population, which failed to find any outlet in industry, and of the increasing ruralisation of the country.[26] It was also suggested that paucity of outlets for investment of capital helped explain the rise in the price of land.[27] They further maintained that official declarations guaranteeing non-taxation of private improvements notwithstanding the settlement officials did not in practice desist from taxing improvements made by the cultivators. This was often done indirectly under the garb of reclassification of soils, or by confusing cultivators' improvements with im-

56-7; Joshi, *op. cit.*, pp. 347, 869, 904-05; D. A. Khare, *Rep. INC for 1893*, p. 117; P. Mehta, *Speeches*, pp. 625-6; Wacha in CPA, p. 568.

24. Ranade, JPSS, July 1879 (Vol. II, No. 1), pp. 7-8; Ray, *Poverty*, pp. 186-7; G. K. Parekh in *Land Problems of India*, pp. 124-34, and quoted in Digby, *op. cit.*, p. 625; Dutt, *Speeches I*, p. 22, *Sir Philip Francis's Minutes on the Subject of a Permanent Settlement for Bengal, Behar and Orissa, with a Preface by R. C. Dutt* (Calc., 1901), p. xii; L. M. Ghose in CPA, pp. 758, 760-1; P. P. Pillai, *Rep. INC for 1903*, p. 61.

25. Dutt, *Speeches I*, p. 22, *Speeches II*, p. 170; ABP, 18 Oct. 1900, and 12 Feb. 1902.

26. Telang, *Speeches*, p. 17; Joshi, *op. cit.*, pp. 654, 658, 900; G. K. Parekh, quoted in Digby, *op. cit.*, p. 627, and *Rep. INC for 1902*, p. 82; Gokhale, *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, p. 244. Also see D. A. Khare's Presidential Address at the 13th Bombay Provincial Conference, *Mahratta*, 26 Apr. 1903.

27. D. A. Khare's Presidential Address at the 13th Bombay Provincial Conference, *Mahratta*, 26 Apr. 1903.

provements carried out by the government or by taking increase of income due to private improvement as part of the 'unearned income' produced by natural or other causes.[28]

According to the national leadership, the second important evil of the land revenue system was that the government demand on land was uncertain and fluctuating in its incidence because of periodic revisions, and that its enhancement was not limited by definite and specific rules. It could be, and was, increased by unknown amounts on vague, indefinite, 'shadowy and unreal', 'capricious', and insufficient grounds, which were not known or intelligible to the cultivator and which provided ample opportunity to the revenue officials to show their zeal and exercise their arbitrary power at the time of resettlement, unhindered by any judicial or independent check.[29]

Thirdly, the Indian leaders condemned the rigidity of the land revenue system. They declared that land revenue was collected rigidly, inflexibly, and stringently and that its mode and time of collection were inconvenient, oppressive, and unsuited to the circumstances of Indian agriculture.[30] Moreover,

28. Mandlik, *Speeches*, p. 541; Letters from the Secretary of the Poona Sarvajanik Sabha, *JPSS*, Jan. 1879 (Vol. I, No. 3), p. 39, and July 1886 (Vol. IX, No. 1), pp. 2, 5; Ranade, *JPSS*, July 1879 (Vol. II, No. 1), p. 3, Jan. 1884 (Vol. VI, No. 3), pp. 6, 9; Telang, *Speeches*, pp. 10-11; Joshi, *op. cit.*, pp. 497, 902-04; *Mahratta*, 25 July 1886; P. P. Pillai, *Rep. INC for 1892*, p. 99; D. A. Khare, *ibid.*, p. 101, *Rep. INC for 1893*, p. 117; G. Venkataraman, *Rep. INC for 1895*, p. 132; P. Mehta, *Speeches*, p. 450; G. K. Parekh, quoted in Digby, *op. cit.*, p. 627; N. S. Chariar, *Rep. INC for 1903*, p. 64; Dutt, *EHII*, pp. 465-7, 501.

29. Letter from the Secretary of the Poona Sarvajanik Sabha, *JPSS*, Jan. 1879 (Vol. I, No. 3), p. 37; Ranade, *JPSS*, July 1879 (Vol. II, No. 1), p. 3, Jan. 1884 (Vol. VI, No. 3), p. 5; Joshi, *op. cit.*, p. 497; R. N. Mudholkar, *Rep. INC for 1890*, pp. 48-9; P. Mehta, *op. cit.*, p. 606; Dutt, *Open Letters*, pp. 47, 52, *Speeches II*, pp. 39, 186, 198, *EHI*, pp. ix-xi, 152, 169, 171, 370 f.n., 380, 382, *EHII*, pp xii-xiii, 335, 491-2, 499, 505, 515-6; G. K. Parekh, quoted in Digby, *op. cit.*, pp. 626-8, *Rep. INC for 1903*, pp. 56-7; Wacha in *CPA*, p. 564; R. N. Mudholkar, 'The Economic Condition of India', *HR*, Aug. 1904, p. 259.

30. Ranade, *JPSS*, July 1879 (Vol. II, No. 1), p. 9; *Native Opinion*, 7 Nov. (*RNPBom.*, 13 Nov. 1880); *Subodh Patrika*, 14 Nov., *Khandesh Waibhav*, 12 Nov., *Lok Mitra*, 14 Nov. (*ibid.*, 20 Nov. 1880); *Dnyan Prakash*, 13 Dec. (*ibid.*, 18 Dec. 1880); *Suryodaya*, 20 Dec., *Kalpataru*, 19 Dec. (*ibid.*, 25 Dec. 1880); *Navavibhakar*, 6 Nov. (*RNPBeng.*, 11 Nov. 1882); *Indian Spectator*, 7 Jan. (*RNPBom.*, 13 Jan. 1883); *Akhbar-i-Am*, 12 Dec. (*RNPPN*, 19 Dec. 1883); *Hindu*, 5 Sept. 1884; Wacha, *Rep. INC for 1891*, p. 22, and in *CPA*,

they said, the government gave little or insufficient consideration to crop failures and famines and maintained the rigidity of revenue collection even in the face of such natural disasters, forcing the peasant to contribute his quota of public revenue even when he was suffering economically.[31]

A few of the Indians also went into the question of the incidence of the burden of land revenue on different regions and classes, and opined that the burden fell unequally on different regions, with Bengal contributing much less than its share,[32] and that the peasant was made to bear a much larger burden than was borne by other classes of society.[33] Some of them also recognised that many of the evils they found in the revenue system of British India had their roots in the Indian government's adherence to the Ricardian theory of rent and in its belief that the state was the real landlord or owner of land in India. Consequently, they launched an attack on the various theoretical premises which lay behind the official revenue policy. This attack is discussed below in the chapter on 'Indian Political Economy'.

According to the Indian leaders, the following were the deleterious and depressing effects of the land revenue system on agriculture:

p. 561; P. P. Pillai, *Rep. INC for 1892*, pp. 98-100; P. Mehta, *Speeches*, pp. 394-5, 451, 575-6, 622; R. M. Sayani in CPA, p. 364; R. N. Mudholkar in *Indian Politics*, p. 39; N. G. Chandavarkar in CPA, pp. 509-10; Joshi, *op. cit.*, p. 453; G. S. Iyer, *Rep. INC for 1901*, pp. 92-3, EA, pp. 52-4; Ray, *Indian Famines*, p. 58; *New India*, 19 May 1902; D. A. Khare's Presidential Address to the 13th Bombay Provincial Conference, *Mahratta*, 26 Apr. 1903; L. M. Ghose in CPA, p. 759; Dutt, EHII, p. 487.

31. Petition adopted at a Public Meeting held at Poona on 16 May 1880, JPSS, July 1880 (Vol. III, No. 1), pp. 5-6; P. Mehta, *Speeches*, pp. 575, 674; Joshi, *op. cit.*, pp. 404-5. 408-10, 415, 418, 508-10; Gokhale, *Proceedings of the Council of the Governor of Bombay*, 1900, Vol. XXXVIII, pp. 88-92, and *Speeches*, p. 6; G. K. Parekh, *Proceedings of the Council of the Governor of Bombay*, 1900, Vol. XXXVIII, pp. 118 ff., and *ibid.*, 1901, Vol. XXXIX, pp. 236-7; R. N. Mudholkar, *Rep. INC for 1901*, p. 87; G. S. Iyer, EA, p. 52; L. M. Ghose in CPA, p. 760.

32. *Indian Spectator*, 11 and 18 Sept. (RNPBom., 17 and 24 Sept. 1881); Joshi, *op. cit.*, p. 466.

33. Ranade, JPSS, Oct. 1881 (Vol. IV, No. 2), p. 57; Naoroji, *Speeches*, Appendix p. 177; G. S. Iyer, EA, p. 80; and Chapter XI below.

Firstly, the high pitch of land assessment, by siphoning away a large part of the cultivator's possible savings, drained the countryside of its capital, hindered capital investment in land, and, in general, checked expenditure on agricultural improvements.[34] Secondly, heavy assessment increased the intensity and frequency of famines by producing general resourcelessness in the countryside. The peasant was unable to save anything in good years as insurance against years of bad harvest and consequently fell an easy prey to famines and death. In fact, it was the lack of his staying power that transformed every drought into a famine.[35] Moreover, on subsistence lands, heavy assessment produced starvation conditions even in normal times.[36] Thirdly, constant revisions of assessment, short settlements, uncertainty about the grounds of enhancement, fresh appraisal of individual plots of land leading to taxation of the cultivator's improvements, all tended to make land tenure uncertain and, combined with high assessment, took away from the cultivator all motive to save, to exert himself to effect permanent improvements in land, and to increase agricultural productivity. The insecurity of tenure and heavy enhancements made the cultivator nervous and kept him on the horns of the dilemma whether to work hard or take life easy, for he just did not know whether he would be allowed to reap the fruits of hard labour. It was the general spirit of uneasiness which surrounded the land revenue system that tended to make the Indian ryot indolent and unthrifty and was responsible for the general absence of a spirit of enterprise and initiative in the countryside. The result was stagnation and even decay of agriculture and the existence of

34. Ranade, *JPSS*, July 1879 (Vol. II, No. 1), p. 19, and *ibid.*, Oct. 1881 (Vol. IV, No. 2), pp. 56-7; Ray, *Poverty*, pp. 180-4, 187-8; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18737; G. K. Parekh, quoted in Digby, *op. cit.*, p. 628; Dutt, *England and India*, p. 69, EHI, p. xi, *Speeches II*, p. 75.

35. P. Mehta, *Speeches*, p. 607; Dutt, *Speeches I*, pp. 22, 37, 40, 180, in CPA, pp. 480-1, 485, 487, *Open Letters*, pp. 18-9, *Speeches II*, p. 57, EHI, pp. xi, 94, 171; *Kesari*, 25 Dec. (*RNPBom.*, 29 Dec. 1900); R. N. Mudholkar, *Rep. INC for 1904*, p. 259.

36. Joshi, *op. cit.*, pp. 480, 497; G. S. Iyer, EA, p. 50.

all-pervading poverty in the Indian villages.[37] In this context, many of the Indian leaders vehemently protested against the assertion that inherent traits of the Indian ryot's nature and character such as want of energy, idleness, and improvidence were responsible for his economic difficulties. These traits, they claimed, were in fact to a large extent the products of the land revenue system, the ryot being otherwise thrifty, industrious, and provident by nature.[38] Fourthly, the high pitch of revenue and the uncertainty accompanying it discouraged, and perhaps made impossible, investment of private capital in land and thus prevented agricultural improvement and the growth of capitalist agriculture.[39] Fifthly, enhancement of land revenue by the government served as an excuse for and encouragement to the zamindars and other superior holders to increase rentals to an even greater extent than the enhancement of revenue and thus to further oppress the actual tillers of soil.[40] R. C. Dutt pointed out in this connection that where land revenue was fixed as a share of rent the revenue officials prodded and even compelled those zamindars, who might other-

37. Letter from the Secretary of the Poona Sarvajanik Sabha, JPSS, Jan. 1879 (Vol. I, No. 3), p. 43; Ranade, JPSS, Jan. 1884 (Vol. VI, No. 3), pp. 5-6; Husain Khan, *Rep. INC* for 1888, p. 176; S. S. Iyer, *Rep. INC* for 1889, p. 50; *Indu Prakash*, 28 July 1890; R. N. Mudholkar, *Rep. INC* for 1890, p. 48; J. Ram, *ibid.*, p. 52; Joshi, *op. cit.*, pp. 696-7, 824, 969-71 886ff., 894, 904-05; D. A. Khare, *Rep. INC* for 1893, p. 117; N. G. Chandavarkar in CPA, pp. 521-2; G. S. Iyer, *Welby Commission*, Vol. I, Q. 18737; Dutt, *Open Letters*, p. 52, *Speeches II*, pp. 30, 39, 41, 75, 105, 184, 186, 188, 198, in *Land Problems of India*, pp. 17-8, EHI, pp. xi, 94, 171, EHII, pp. xii, 467, 501, 516.

38. Ranade, JPSS, Oct. 1881 (Vol. IV, No. 2), p. 55; Joshi, *op. cit.*, pp. 347, 453, 870-1, 904-05; *Akhbar-i-Am*, 21 July (RNPP, 30 July 1898); N. G. Chandavarkar in CPA, p. 521; Dutt in CPA, pp. 478, 480, *Speeches II*, p. 91ff., EHII, p. xiii.

39. Ranade, JPSS, July 1879 (Vol. II, No. 1), p. 16, and *ibid.*, Oct. 1881 (Vol. IV, No. 2), pp. 48, 57; *Dnyan Prakash*, 8 Feb. (RNPBom., 10 Feb. 1883); B. N. Sen, *Rep. INC* for 1889, p. 49; J. N. Bose, *Rep. INC* for 1890, p. 50; Resolution III and IX of INC for 1891 and 1892 respectively; D. A. Khare, *Rep. INC* for 1893, p. 117; R. N. Mudholkar in *Indian Politics*, p. 45; *Swadesamitran*, 17 March (RNPM, 31 March 1900); L. A. G. Iyer, *Rep. INC* for 1903, p. 55. Ranade pointed out as early as 1879 that whatever capital flowed into agriculture at the time was meant for personal and unproductive purposes and was therefore in the nature of usury-capital rather than investment-capital. JPSS, July 1879 (Vol. II, No. 1), pp. 16-7.

40. *Bengalee*, 21 Oct. 1882; G. S. Khaparde, *Rep. INC* for 1893, p. 118.

wise tend to be lenient, to 'screw up' their rentals so that the government was enabled to impose larger assessments.[41] Sixthly, in the absence of a large-scale increase in agricultural production, the high pitch of assessment, combined with the rigidity and stringency of the revenue system, inexorably drove the harassed ryot, anxious to save his land and unable to meet land revenue demand out of his own resources, into the clutches of the moneylender, never to be a free man again.[42] The rigidity and inconvenience of the mode of collection of land revenue also compelled many a ryot to make forced sales of his produce so that a glut was caused in the market, leading to an artificial lowering of prices to his detriment.[43]

Some of the Indian leaders also linked the problem of land revenue with that of the 'drain' and pointed out that the evil of heavy assessment was intensified by a large part of it being drained out of the country and not 'fructifying' within India.[44]

III. THE REMEDIES

The preceding brief analysis of the nationalist critique of the land revenue administration clearly brings out that Indian leadership believed the agrarian problem to be incapable of solution without a proper reform of the system of land revenue

41. Dutt, *EHII*, pp. 269, 306, 463, 480-3.

42. *Indu Prakash*, 25 Oct. (*RNPBom.*, 30 Oct. 1880); *Subodh Patrika*, 14 Nov. (*ibid.*, 20 Nov. 1880); *Indu Prakash*, 5 Sept. (*ibid.*, 10 Sept. 1881); 'The Viceroyalty of Lord Lytton', *JPSS*, July 1880 (Vol. III, No. 1), p. 61; Ranade, *JPSS*, Jan. 1881 (Vol. III, No. 3), p. 18, and Oct. 1881 (Vol. IV, No. 2), p. 37; *Akhbare-i-Am*, 12 Dec. (*RNPP*, 19 Dec. 1883); *Hindu*, 18 Jan. 1884; P. P. Pillai, *Rep. INC for 1892*, p. 98; P. Mehta, *Speeches*, pp. 450, 575, 605, 622; Resolution X of INC for 1895; R. N. Mudholkar in *Indian Politics*, p. 39; A. Nundy in *Indian Politics*, pp. 131-2; Dutt in *CPA*, p. 480, *Speeches II*, pp. 57-8, 193-4, *EHII*, pp. 487, 516; G. K. Parekh's Presidential Address to the 10th Bombay Provincial Conference, *Bengalee*, 22 May 1900; Resolution moved by Tilak and passed by the 10th Bombay Provincial Conference, *Mahratta*, 27 May 1900; Ray, *Indian Famines*, pp. 50, 58; Joshi, *op. cit.*, pp. 410, 414, 421, 426, 435; Gokhale, *Speeches*, pp. 82, 1017; Wacha in *CPA*, pp. 561-2, 585; *New India*, 19 May 1902. Also see below Chapter X.

43. Gokhale, *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, p. 247; G. S. Iyer, *Rep. INC for 1901*, pp. 92-3; Dutt, *EHII*, p. 487. Also see f.n. 72 of Chapter IV.

44. See below Chapters XII and XIII.

which was, in their eyes, the fountainhead of nearly all the other evils afflicting agriculture. This view may be summarised in the words of Justice Ranade:

> All that they (the cultivators) demand is freedom from the oppressive dead-weight of revenue settlements, which paralyse their energies, and dissipate their strength in the hopeless struggle to better themselves in the social scale. Let the weight of this heavy hand be lightened, and the inner springs, activity, and elastic power, will surge up in an upward movement of material well-being, which will heal all past sores. . . .[45]

But how was 'the weight of the heavy hand' to be lightened? The nationalist answer was that, if the essence of the evil aspects of the Indian land revenue system was insecurity of tenure produced by the high pitch of assessment and the uncertainties of enhancement, the heart of the remedial measures had to be security of tenure, so that the owners of land felt themselves to be, and actually became, the real and independent proprietors of land. As Justice Ranade repeatedly emphasised, what was needed in India was 'the magic of property'.[46] G. V. Joshi gave clear expression to this view when he wrote in 1890:

> Self-interest is the one effective motor force which leads to self-improvement all over the world, and even in this 'land of the lotus' — indoctrinated though it be with altruistic Vedantism, — the law of human nature and human work cannot be otherwise. 'Give a man the secure possession of a black rock, and he will turn it into a garden' — is as true of India as of France or Norway; and we can conceive of no more efficacious correction of the Ryot's present indifference to his own interests than such 'secure possession' of the acres he tills, and assurance of the full fruits of his toils.[47]

45. *JPSS*, Oct. 1881 (Vol. IV, No. 2), p. 58. Also see Ranade, *JPSS*, Jan. 1884 (Vol. VII, No. 3), p. 4; Wacha in *CPA*, pp. 574-5.
46. Ranade, *JPSS*, Oct. 1881 (Vol. IV, No. 2), p. 57; *Essays*, pp. 256-7.
47. Joshi, *op. cit.*, p. 870. Also see p. 347.

The remedial measures suggested by the Indian leadership were neatly summarised by R. C. Dutt in 1900 in his fifth and last Open Letter to Curzon[48] and put in a nutshell by him in his Second Reply to Lord Curzon's Land Resolution: 'The happiness and well-being of an agricultural nation largely depend on some clear, definite, intelligible, and workable limits being placed on the land tax. . . .'[49] The most important of these measures are briefly discussed below:

The burden of land assessment should be reduced to a level at which the ryot was left with a reasonable surplus for subsistence, for providing against bad seasons and for carrying out improvement of land through investment of capital; and such a limit should be placed on enhancements at the time of resettlement so that the ryot felt free to make improvements, secure in the knowledge that he would enjoy the fruits of hard work and sacrifice.[50] Some of the Indian leaders laid down that half the net produce or half the rental or economic rent, provided it was correctly and honestly calculated, would be a fair standard, under Indian conditions, for deciding the amount of land assessment — though land revenue calculated on this basis would still be stringent and higher than what it should be.[51] In the heat of campaign against the land revenue

48. Dutt, *Open Letters*, pp. 79-80. Also see *ibid.*, pp. 81-3; *Famines in India*, pp. xiv-xvi.

49. He went on to assert: 'And the land question in India will not be solved, and India will know no rest, till this is done' (*Speeches II*, p. 19).

50. Naoroji, *Speeches*, Appendix pp. 173, 176; Ranade, *JPSS*, Oct. 1879 (Vol. II, No. 2), p. 66, Jan. 1881 (Vol. III, No. 3), p. 17, and Oct. 1881 (Vol. IV, No. 2), pp. 42, 45-6; L. M. Ghose, *Speeches*, p. 28; *Mahratta*, 31 July 1881; *Swadesamitran*, 8 May, *Sasilekha*, 15 May (*RNPM*, 31 May 1896); Resolutions XIII and III of INC for 1899 and 1902 respectively; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18643-4; Dutt, *Speeches I*, pp. 23, 26, 37, 40, in *CPA*, p. 486, *Open Letters*, p. 53, *Speeches II*, pp. 17-8, 41, 59, 87, 200, 202, *EHII*, pp. 528, 606-07; *Swadesamitran*, 17 March (*RNPM*, 31 March 1900); *ABP*, 21 Apr., 4 June, 18 Oct. 1900; Joshi, *op. cit.*, pp. 364-5, 457, 497, 511; M. M. Malaviya, *Rep. INC for 1900*, p. 98; Wacha in *CPA*, p. 601; S. N. Banerjea in *CPA*, pp. 691, 698-9; Resolution of the 12th Bombay Provincial Conference, *Mahratta*, 16 Nov. 1902; Tilak's Speech at 13th Provincial Conference, *Mahratta*, 10 May 1903; L. A. G. Iyer, *Rep. INC for 1903*, pp. 52-3; Gokhale, *Speeches*, pp. 77, 80, 82, 112. Also see f.n.'s. 55-8 below.

51. Ranade, *JPSS*, Apr. 1884 (Vol. VI, No. 4), p. 55 [also see Ranade, *ibid.*, July 1879 (Vol. II, No. 1), pp. 11-13]; Dutt, *Open Letters*, pp. 41-2, 53, 65,

policy of the government, R. C. Dutt put forward the additional demand that the assessment should be limited to a maximum of 1/5th of the gross produce.[52] Interestingly enough, Justice Ranade had in 1879 recommended 1/6th of the gross produce as the utmost limit of assessment for the Deccan.[53] In this context, G. V. Joshi made the radical suggestion that the uneconomic holdings should not be taxed at all since these holdings did not generate any surplus or rent out of which revenue might be paid. The government demand in their case, he said, became 'a deduction from what is not even enough for the ryot's subsistence — a substantial portion sliced away from his scanty and precarious food-supply which ought never to be touched'.[54]

Secondly, the government should grant a permanent settlement of revenue in the temporary settled parts of the country. This was the most important and most widely supported of the nationalist demands in the realm of agriculture and is discussed below in a separate section. Pending the adoption of a permanent settlement in these areas, the government should, they suggested, try to secure the ryot against arbitrary enhancement during the resettlement operations. The government could do so by laying down clear and definite grounds, limits, and procedures of enhancement, which should be clearly known and understood by the ryots and which should be

79, 82-3, *Famines in India*, p. xv, *Speeches II*, pp. 18, 75, 104, 177-8, 201, EHI, p. 396, EHII, pp. x, xii, 471, 485, 495, 501-02, 597, 612; *Mahratta*, 3 May 1903.

52. Dutt in CPA, pp. 482-3, *Open Letters*, pp. 41-2, 53, 65, 79, 82-3. Later R. C. Dutt was to protest that he had proposed the rate of 1/5th of the gross produce as a maximum limit which should not be exceeded in case of any single holding and not as a general standard of land tax. The need for such a check on maximum assessment arose because half the net produce was sometimes so calculated by the revenue officials as to amount to much more than 1/5th of the gross produce and at times even to as much as ⅓rd of the gross produce. *Open Letters*, pp. 39 f.n., 42 f.n., 53 f.n., 65 f.n., *Speeches II*, pp. 178-9, EHII, pp. 512-3. It is possible that Dutt was in this manner trying to cover up the *faux pas* that he had committed in the heat of the controversy and that had been cleverly utilised by Curzon to discredit his wider criticism.

53. *JPSS*, July 1879 (Vol. II, No. 1), p. 13.

54. Joshi, *op. cit.*, pp. 480-1.

incapable of being evaded or altered by 'the whims and fancies' of the settlement officers;[55] by scrupulously adhering to the principle of non-taxation of improvements carried out by the cultivators;[56] by lengthening the term of the settlement;[57] and by making enhancements justiciable before civil or other independent courts.[58]

Thirdly, the revenue system should be made more flexible and the mode of collection improved and made more lenient.[59] This might be done by spreading payments of revenue over several instalments to be paid on convenient dates,[60] and by promptly granting, as a matter of principle rather than as a mere act of administrative grace, large and liberal remissions — and not mere suspensions — in cases of scarcity and famine, so that the suffering cultivators would be able to recuperate their strength in the post-famine years.[61] In this connection,

55. L. M. Ghose, *Speeches*, p. 28; Resolutions XIV, XIII, III, and III of INC for 1895, 1896, 1901, and 1903 respectively; Address of Welcome to Lord Elgin on behalf of the Poona Sarvajanik Sabha, dated 9 Nov. 1895, *JPSS*, Jan. 1896 (Vol. XVIII, No. 3), p. 11; C. Sankaran Nair in *CPA*, p. 385; Dutt, *Speeches I*, pp. 40, 181, *Open Letters*, pp. 48-9, *Speeches II*, pp. 41, 49, 75, 104, 180-1, 186-7, 190, 198-202, *Land Problems of India*, pp. 25-6, *EHI*, p. xiv, *EHII*, pp. 485, 495, 501, 535, 612; L. A. G. Iyer, *Rep. INC for 1903*, p. 55.

56. Telang, *Speeches*, pp. 4, 6-7, 20; Ranade, *JPSS*, Jan. 1884 (Vol. VI, No. 3), pp. 8-11, and *ibid.*, Apr. 1884 (Vol. VI, No. 4), pp. 38-9; *Mahratta*, 30 March 1884, 25 July 1886; *Dnyan Prakash*, 3 Apr., *Indu Prakash*, 31 March (RNPBom., 5 Apr. 1884); *Indian Spectator*, 20 Apr. (*ibid.*, 26 Apr. 1884); *Indu Prakash*, 12 July (*ibid.*, 17 July 1886); Letter from the Secretaries of the Poona Sarvajanik Sabha, dated 4 June 1884, *JPSS*, July 1886 (Vol. IX, No. 1), pp. 3, 5-6; Joshi, *op. cit.*, p. 824; Dutt, *EHII*, pp. 465-7.

57. L. M. Ghose, *Speeches*, p. 28; S. S. Iyer, *Rep. INC for 1889*, p. 50; Resolutions II(b), XVII, VI, III, and III of INC for 1894, 1896, 1898, 1901, and 1903 respectively; Joshi, *op. cit.*, p. 497; Dutt, *Open Letters*, pp. 53, 65-6, 79, 83; S. N. Banerjea in *CPA*, pp. 698-9.

58. P. Mehta, *Speeches*, pp. 395, 622-4; Dutt, *Open Letters*, pp. 49-51, 54, 80, *Famines in India*, p. xvi, *Speeches II*, pp. 12, 41, *EHII*, pp. 467-9, 612; Resolutions III, III(a) and III(b) of INC for 1902, 1903, and 1904 respectively; D. A. Khare's Presidential Address to the 13th Bombay Provincial Conference, *Mahratta*, 26 Apr. 1903.

59. Resolution X of INC for 1895; N. G. Chandavarkar in *CPA*, p. 520.

60. Gokhale, *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, p. 247; G. S. Iyer, *Rep. INC for 1901*, p. 93, and *EA*, pp. 54-5.

61. The demand was raised universally all over India during the famines of 1876-7 and 1896-1901. Also see Ranade, *JPSS*, Oct. 1879 (Vol. II, No. 2),

the principle of payment of revenue in kind, or some revised version thereof, found wide favour within the ranks of the Indian leaders.[62] They did not, however, press this suggestion since they knew that it was hardly likely to be accepted, involving as it did too radical a departure from the existing practice.[63]

An interesting aspect of the land revenue policy of the national leaders is the absence of any real attempt at organising the peasantry to fight for its demands relating to revenue administration. Perhaps the only major exception to this lethargy or neglect was the action of Lokmanya Tilak, during 1896, when he tried to organise a virtual no-tax campaign in the famine-hit Maharashtra. Exasperated by the official delay in, and reluctance to, granting suspensions and remissions of revenue during the famine of 1896 Tilak undertook the task of educating and organising the people to claim their rights under the existing Famine Relief Code. Through the *Kesari*, pamphlets, public meetings and propaganda tours, and the agents of the Poona Sarvajanik Sabha—over which he had recently acquired control—Tilak began to tell the Deccan peasantry that there were laws designed to help them during famines, that the government was morally obliged to save their lives, that the officials were duty-bound under the Famine Code to give them relief, that they must compel the officials to do so by firmly and loudly invoking the Code, and that they would be perfectly within their legal rights — they

p. 66; P. P. Pillai, *Rep. INC for 1892*, pp. 99-100; *Mahratta*, 17 Jan. 1897; G. K. Parekh, *Proceedings of the Council of the Governor of Bombay*, 1900, Vol. XXXVIII, pp. 118 ff; Joshi, *op. cit.*, pp. 404, 413-4, 420, 511, 555-8; *Hindu*, 18 Aug. 1902; Dutt, *Speeches II*, p. 59; G. S. Iyer, *EA*, pp. 55-7; Gokhale, *Speeches*, pp. 82-3.

62. Ranade, *JPSS*, July 1879 (Vol. II, No. 1), pp. 10, 13-4, and April 1884 (Vol. VI, No. 4), p. 55; *Bombay Samachar*, 22 Nov. (*RNPBom.*, 27 Nov. 1880); Memorandum by the Poona Sarvajanik Sabha, *JPSS*, July 1881 (Vol. IV, No. 1), p. 9; *ABP*, 26 June 1884, and 19 June 1892; a columnist in *Mahratta*, 7 Feb. 1892; Ray, *Indian Famines*, p. 58; Dutt, *EHII*, p. 493 f.n.; R. M. Sayani, *LCP*, 1897, Vol. XXXVI, p. 191.

63. Ranade, *JPSS*, July 1879 (Vol. II, No. 1), pp. 13-4; Dutt, *EHII*, p. 493 f.n.

would in fact be helping the enforcement of laws — even if they were to refuse to pay the land tax when they were not in a position to pay it.[64] This was nothing but a rudimentary no-tax campaign[65] and, in spite of Tilak's protestations to the contrary, was understood to be so by the government, which took energetic action against the agents of the Poona Sarvajanik Sabha, the Sabha itself, and in the end against Tilak himself.[66] The fact that he was arrested in 1897 and sentenced to eighteen months' imprisonment on the charge of sedition shows that the farsighted British officialdom was alarmed by the revolutionary potentialities of his campaign among the Deccan peasants in the winter of 1896. Moreover, Tilak himself clearly grasped the deep political implications of his work and drew appropriate political lessons from it. When his lead was not followed by other political workers and the Indian National Congress of 1896 also failed to take any active measures to help or arouse the victims of the famine, he denounced the Congress for its inactivity and wrote in the *Kesari*, dated 12 January 1897:

> For the last twelve years we have been shouting (ourselves) hoarse, desiring that the Government should hear us. But our shouting has no more affected the Government than the sound of a gnat. Our rulers disbelieve our statements or profess to do so. Let us now try to force our grievances into

64. *Kesari*, 15 and 22 Dec. (*RNPBom.*, 19 and 26 Dec. 1896); Reports in various newspapers as reported in the *RNPBom.* of 2, 9, 16, 23 and 30 Jan., and 6, 13 and 27 Feb. 1897; *Mahratta*, 3, 10, and 17 Jan. 1897; Ram Gopal, *op. cit.*, pp. 122-30; Tahmankar, *op. cit.*, pp. 69-73; Pradhan and Bhagwat *op. cit.*, pp. 100-03; *Source Materials for a History of the Freedom Movement in India*, Bombay, Vol. II, pp. ix, 196, 638.

65. For example, writing in the *Kesari* of 15 December 1896 that 'the illiterate rayat requires to be taught what his rights are and how he should seek to enforce them', he declared that it was the duty of the leaders to 'explain to the people... that they need not pay the land revenue if their crops have failed' (*RNPBom.*, 19 Dec. 1896). He also wrote in the same issue of the *Kesari*: 'But let the people remember that if they should be determined to fight for their rights even at the risk of being shot at, it is the duty of leaders to help them fight' (quoted in Pradhan and Bhagwat, *op. cit.*, p. 102). Also see Ram Gopal, *op. cit.*, pp. 125-6; and Tahmankar, *op. cit.*, p. 71.

66. Ram Gopal, *op. cit.*, pp. 126-9.

> their ears by strong constitutional means. We must give the best political education possible to the ignorant villagers. We must meet them on terms of equality, teach them their rights and show how to fight constitutionally. Then only will the Government realise that to despise the Congress is to despise the Indian Nation. Then only will the efforts of the Congress leaders be crowned with success. Such a work will require a large body of able and single-minded workers, to whom politics would not mean some holiday recreation, but an every-day duty to be performed with strictest regularity and utmost capacity.[67]

He also showed awareness of the historic political role of the peasantry in a country like India. Thus, he declared:

> The country's emancipation can only be achieved by removing the clouds of lethargy and indifference which have been hanging over the peasant, who is the soul of India. We must remove these clouds, and for that we must completely identify ourselves with the peasant — we must feel that he is ours and we are his.[68]

IV. THE PERMANENT SETTLEMENT OF LAND REVENUE

Moderation of the land revenue demand and reform in the principles of its enhancement and collection were, however, advocated by the Indian national leadership more as palliatives than as fundamental remedies. In its view, the real and the long-term solution of the revenue problem — and of the resourcelessness and impoverishment of the ryot, in so far as they were the products of revenue administration — lay in the permanent settlement of the government demand on land. Only when the landowner knew that he was free forever from the grasp of the settlement officer would he feel that the land was his own and that it was secure, and only then would 'the magic of property' operate in the countryside, enthusing and prompting the ryot to exert himself to save

67. Quoted in *ibid.*, pp. 129-30.
68. Quoted in Tahmankar, *op. cit.*, p. 73.

and invest capital in land, to improve the soil, and to use the latest scientific methods.

At the beginning of the period of our study, the case for the permanent settlement of land revenue was argued cogently by Justice Ranade in nearly all of his early essays on the agrarian problem.[69] The Indian National Congress took up the demand in 1889 when it passed a resolution urging the government

> to take the subject of Permanent Settlement once more under consideration in view to practical action thereon, such that fixity and permanency may be given to the Government Land Revenue demand without further delay, at any rate in all fully populated and well cultivated tracts of country.[70]

Hereafter, there was rarely a session of the Congress at which this plea was not reiterated.[71] Nearly all the other prominent nationalist leaders,[72] including R. C. Dutt,[73] and the leading

69. *JPSS*, July 1879 (Vol. II, No. 1), pp. 14-20, and Oct. 1881 (Vol. IV, No. 2), pp. 54-8, *Essays*, pp. 256-7, *Rep. INC for* 1887, p. 143. Thus, advocating a permanent settlement of land tax in 1881 'as the only alternative open to Government, by the side of which reform all other agencies sink into insignificance,' he decried the efficacy of other remedies in its absence and remarked: 'The easy facilities of collecting a large revenue have lulled its conscience into oblivion, and persuaded it to regard that the millions who clamour for bread will be satisfied with the gift of stones in the shape of legislative enactments intended to patch up the surface rents without infusing new life blood and strength into the system which is gaping with its deep wounds', *JPSS*, Oct. 1881 (Vol. IV, No. 2), pp. 54 and 57 respectively.

70. Resolution VII. For the failure of the attempt to get this resolution passed in 1888, see *Rep. INC for* 1888, pp. 163-4, 174-8.

71. Resolution VI of 1890, III of 1891, IX of 1892, X and XI of 1893, II of 1894, XIII of 1896, VII of 1897, VI of 1898, XXIII of 1900, III of 1901, III of 1902, III of 1903, and III of 1904.

72. L. M. Ghose, *Speeches*, p. 5; Letter from the Secretary of the Poona Sarvajanik Sabha, *JPSS*, Jan. 1879 (Vol. I, No. 3), p. 43; Petition adopted at a Public Meeting held at Poona on 16 May 1880, *JPSS*, July 1880 (Vol. III, No. 1), pp. 8-9; Memorandum by the Poona Sarvajanik Sabha dated 2 March 1881, *JPSS*, July 1881 (Vol. IV, No. 1), pp. 8-9; Sheikh Raja Hussain Khan, Munshi Sheikh Hussain Khan and Raja Rampal Singh, *Rep. INC for* 1888, pp. 175-6; B. N. Sen, *Rep. INC for* 1889, pp. 48-9; S. Subramaniya Iyer, *ibid.*, pp. 50-1; R. N. Mudholkar, *Rep. INC for* 1890, p. 49, and in *Indian Politics*, pp. 45-6; B. G. Tilak, *Rep. INC for* 1893, p. 114, and *Rep. INC for*

nationalist newspapers[74] agitated for it.

A great deal of confusion, however, prevails around this nationalist demand, since many students of Indian history and economics and several critics of the Indian leadership have equated it with the Permanent Settlement of 1793 in Bengal and suggested that, in making this demand, the Indian leaders of the time wanted the extension of the zamindari tenure of Bengal to the ryotwari areas. Labouring under this assumption, many of them have implicitly or explicitly accused the Indian leadership of being the spokesmen of the privileged zamindars and of ignoring, and even opposing, the interests of the unprivileged and oppressed ryots. R. C. Dutt in particular has been branded as a champion of the landlords because of his persistent advocacy of a permanent settlement of revenue. In view of the fact that these strictures on R. C. Dutt and other leaders in respect of their demand for a permanent settlement of revenue have no substantial foundation, a

1895, p. 133; Joshi, *op. cit.*, pp. 362-3, 811, 824-5; M. R. Sayani, *LCP*, 1897, Vol. XXXVI, p. 191, and in *CPA*, p. 365; G. R. M. Chitnavis, *LCP*, 1898, Vol. XXXVII, p. 481; P. A. Charlu, *ibid.*, p. 502, and *LCP*, 1900, Vol. XXXIX, p. 146; P. Mehta, *Speeches*, pp. 606-07; M. M. Malaviya, *Rep. INC for 1899*, pp. 91-93 and *Rep. INC for 1900*, p. 99; S. N. Banerjea, *Rep. INC for 1900*, pp. 75-6; Gokhale, *Speeches*, pp. 24-5, 112; G. S. Iyer, *HR*, Feb. 1902, pp. 149-51; Resolutions of the 12th and 13th Bombay Provincial Conferences, *Mahratta*, 16 Nov. 1902, and 10 May 1903 respectively.

73. The demand for a permanent settlement of land revenue is contained in nearly all of R. C. Dutt's pronouncements on the land question. See, for example, *England and India*, pp. 51, 133-5; *Famines in India*, p. xii; *Speeches I*, pp. 15-24, 158, 180-1; *EHII*, pp. x-xi.

74. *Dnyan Prakash*, 6 Feb. (*RNPBom.*, 8 Feb. 1879); *Arunodaya*, 27 Apr. (*ibid.*, 3 May 1879); *Shivaji*, 8 Aug. (*ibid.*, 16 Aug. 1879); *Subodh Patrika*, 1 Aug. (*ibid.*, 7 Aug. 1880); *Indu Prakash*, 7 March (*ibid.*, 12 March 1881); *Arunodaya*, 30 Oct. (*ibid.*, 5 Nov. 1881); *ABP*, 5 Oct. 1882, 28 Nov. 1889, 24 March 1900, 3 Feb. 1901; *Dnyan Prakash*, 8 Feb. (*RNPBom.*, 10 Feb. 1883); *Som Prakash*, 8 Jan. (*RNPBeng.*, 13 Jan. 1883); *Native Opinion*, 1 Apr. 1883; *Hindu*, 27 Feb. 1884, 13 Sept. 1889, 2 Jan. 1891; *Nasim-i-Agra*, 23 Aug. (*RNPPN*, 25 Aug. 1884); *Swadesamitran*, 27 July (*RNPM*, Aug. 1885); *Bengalee*, 28 June 1890; *Indu Prakash*, 28 June 1890; *Hindustan*, 3 March (*RNPN*, 10 March 1891); *Hindustani*, 7 Oct. (*RNPN*, 15 Oct. 1891); *Hindustani*, 8 Nov. (*ibid.*, 15 Nov. 1893); *Victoria Paper*, 25 Oct. (*RNPP*, 4 Nov. 1893); *Paisa Akhbar*, 13 Oct. (*ibid.*, 20 Oct. 1894); *Kerala Patrika*, 26 Jan. (*RNPM*, 31 Jan. 1895); *Sialkot Paper*, 8 Oct., *Paisa Akhbar*, 7 Oct. (*RNPP*, 28 Oct. 1899); *Swadesamitran*, 17 March and 21 Aug. (*RNPM*, 31 March and 31 Aug. 1900 respectively).

detailed examination of this aspect of the question will not be out of place here.

The confusion has, of course, very old roots and had prevailed to some extent even in the ranks of the Indian leaders of that period. But what seems to have influenced the later writers most is the Government of India's Resolution of 1902 on the 'Land Revenue Policy of the Indian Government'. It is debatable whether in drafting the Resolution the way he did Curzon deliberately intended to sow confusion in order to score a debating point against the critics of the official land revenue policy. In any case, in the famous Resolution, he first identified a permanent settlement of revenue with the Permanent Settlement of 1793 in Bengal, and then averred that 'at an earlier period, the school of thought that is represented by the present critics of the Government of India advocated the extension of the Permanent Settlement throughout India'.[75] Further on, he set out to prove that the Permanent Settlement had not saved Bengal from famine; that there were no grounds for the belief that the Bengal ryot was more prosperous than his counterparts in the other parts of the country; that the real cultivator in Bengal, who was a tenant of the landlord because of the Permanent Settlement, was not really well-off, but that, on the contrary, he was 'rack-rented, impoverished, and oppressed'; that the evils of absentee landlordism, 'of management of estates by unsympathetic agents', of bad relations between landlord and tenant, and of multiplication of middlemen were on the increase; and, finally, that whatever security and prosperity the Bengal ryot did enjoy was not because of the Permanent Settlement but because of the tenancy laws that the government had passed to protect him.[76] Hence, Curzon triumphantly declared, the government could not 'conscientiously endorse the proposition that, in the interests of the cultivator, *the system of agrarian tenure* should be held up as a public model, which is not supported

75. *Land Revenue Policy of the Government of India* (Cal., 1902), para 5.
76. *Ibid.*, paras 5 and 6.

by the experience of any civilised country. . . .'[77] Herein, precisely, lay the source of confusion. Curzon had consciously or unconsciously identified the permanent settlement demanded by the critics of the government with 'the system of agrarian tenure' prevailing in Bengal. He had also tried, though indirectly and very subtly, to tie the tag of pro-landlordism on the critics. He taunted them with failure to give due co-operation to the government in its attempts to protect and improve the position of the tenants *vis-a-vis* the landlords.[78]

The lead given in this respect by Curzon has been followed by many later writers and the confusion has perhaps grown worse with the passage of time. Thus, J. D. Rees wrote in 1908 that 'the Congress agitation, which is so intimately connected with the landlord interest' was designed to compel the government to 'abandon the taxes to which it is entitled, which are levied from landlords, and spent in a great measure on the cultivators'.[79] Writing in 1911, Lovat Fraser, the eulogistic biographer of Curzon's administration of India, accused R. C. Dutt of 'mainly championing the cause of the well-to-do'; and opined rather sweepingly: 'A curious feature of all Indian political agitation is that the very poor have no spokesmen or protectors save the Government. . . .'[80] The misconception of the nationalist stand is to be found in its most grotesque form in the following passage from K. T. Shah's *Sixty Years of Indian Finance*, published in 1921:

> If, however, we accept the writings of the late Mr R. C. Dutt as indicative of the Indian public opinion in the last century on this point, it would seem that there was a large

77. (Emphasis added). *Ibid.*, para 6.

78. *Ibid.*, para 9.

79. Rees, *op. cit.*, p. 63. Surprisingly enough, while branding the Congress agitation for a permanent settlement of revenue as pro-landlord, only three pages later Rees himself advocated at length 'a permanent settlement with each individual holder' that would be different from the Permanent Settlement in Bengal (*ibid.*, pp. 66-9). This shows that he was at least aware that the words permanent settlement could have two diametrically opposite meanings.

80. Lovat Fraser, *op. cit.*, pp. 154-5.

> consensus of opinion among the Indian publicists in favour of extending the Permanent Settlement of Bengal to other Provinces with a view to create exclusive property in land under the landlords of the English type.[81]

Similar misunderstanding of the nationalist point of view was betrayed in the past by three other prominent Indian economists, P. J. Thomas, P. S. Lokanathan and B. R. Misra.[82] More recently, and perhaps with much less excuse, two Indian historians of the Indian national movement, Pansy Chaya Ghosh and B. B. Misra, have made a similar mistake. In her doctoral dissertation, *The Development of the Indian National Congress*, 1892-1909, the former has treated the Congress demand for a permanent settlement of revenue as if it was a demand for the extension of the Bengal-type Permanent Settlement[83] and gone to the extent of writing that, in his Presidential Address to the Indian National Congress of 1899, R. C. Dutt 'requested the government to extend the Bengal system to other parts of India'.[84] In his recent study, *The Indian Middle Classes — Their Growth in Modern Times*, B. B. Misra writes that the Congress urged in 1888 'the introduction of the Bengal pattern of the Permanent Settlement in all parts of the country, which, as has been seen, operated to the great hardship and disadvantage of tenants'.[85] This assertion is made in a sub-section headed 'Middle Class Opposition to Tenant

81. Shah, *Sixty Years of Indian Finance*, p. 196. Also see p. 200.

82. Thomas, *op. cit.*, p. 123; Lokanathan, 'The Economics of Gokhale' *Indian Journal of Economics*, Jan. 1942, Vol. XXII, No. 3, p. 228; B. R. Misra, *Land Revenue Policy in the United Provinces* (Benares, 1942), pp. 37, 39. Lokanathan, however, absolved Gokhale of any desire to favour the Permanent Settlement.

83. P. C. Ghose, *The Development of the Indian National Congress*, 1892-1909 (Cal., 1960), pp. 41-2.

84. *Ibid.*, p. 44. Surprisingly enough, as will be shown later, the Address contained no passage which could possibly be interpreted in this way.

85. B. B. Misra, *The Indian Middle Classes — Their Growth in Modern Times* (London, 1961), p. 350. Incidentally, the year in which such a resolution, though not necessarily with the meaning that Misra puts into it, was passed was not in 1888 but 1889. In 1888 the question was merely referred to the several standing committees of the Congress for opinion (see Resolution XIV).

Rights' in which the author has suggested that one of the reasons for the government's reluctance during the 1880's to expand the legislative councils was its fear that their expansion and Indianisation would block progressive legislation such as tenancy reforms; and that 'the apprehension of the Government arose not only from the anti-tenant role of the Indian members of the Council, but also from the nature of the demands made by the Indian National Congress, the political organisation of the educated classes'.[86] Another recent writer, Percival Spear, while acknowledging that members of the Congress from the west and south had 'little use for landlords', affirms that 'the members from Bengal, being usually connected with the landlord class, attributed many evils to the government's failure to extend the Permanent Settlement throughout India'.[87]

In reality, however, from the outset of the period of our study to its close, the overwhelming majority of the Indian national leadership clearly distinguished between a permanent settlement of the government demand on land and the Permanent Settlement in Bengal. In as distinct and explicit a language as possible, and as often as they could, they declared that in asking for permanent settlement they demanded not the reproduction of the Bengal system in, or the extension of the zamindari tenure of 1793 to, other areas of the country but the fixation in perpetuity of the land revenue demand. Because they knew that they would be misunderstood and misrepresented, they were at pains to make this distinction and to point out that, whatever their individual views on the relative merits of the zamindari and the ryotwari tenures might be, in asking

86. *Ibid.*, pp. 349-50.

87. P. Spear, *India—A Modern History* (ANN Arbor, U.S.A., 1961), p. 312. Similarly, H. L. Singh writes: 'As regards the landed classes, Congress policy was largely in their favour. The Congress stood for the extension of the Permanent Settlement, which had been so greatly advantageous to the zamindars and so little to the ryot and the State. Accounting for this aspect of Congress policy, Lord Elgin observed with truth that the Bengal zamindars were powerful and had 'business relations with the men' who did the talking and writing in that Province' *Problems and Policies of the British in India*, 1885-1898 (Bombay, 1963), p. 217.

for permanent settlement they were concerned not with the system of tenure or the forms of revenue collection but only with the question of the variability of the revenue or the principles which were to govern its assessment under two systems of tenure.

It is not possible, for reasons of space, to give here all the positive and unambiguous statements that the Indian leaders made in this respect; and, consequently, only a few of them spread over the entire period of this study are reproduced below, emphasis being placed on citations from the much abused leaders from Bengal.

In 1879, Lal Mohan Ghose — a prominent *Bengali leader*, perhaps the most prominent Bengali leader of his generation, it should be noted — observed:

> I do not think a greater boon can be conferred upon the country than the extension of the perpetual settlement throughout India in a somewhat modified form to that which obtains in Bengal. We should like to see the settlement made *with the cultivating classes themselves, and not with a class of middlemen such as zemindars of Bengal.* We should like to see a system somewhat similar to that which prevails in Switzerland and other parts of the continent of Europe.[88] (Emphasis added).

In 1880, Justice Ranade laid down that 'A permanent Ryotwari Settlement fixed in grain which the land produces... can alone furnish a solution of this Agricultural Problem.'[89] Four years later he made the authoritative declaration:

> We may however state in this place that the views we have in this journal and elsewhere published from time to time *have been too often misunderstood. We have never asked for a subversion of the Rayotwari tenure, or the substitution in its place of a Zemindari settlement....* The Rayotwari system has obtained in this Presidency from time immemorial, and it is the only one suited to the democratic constitution

88. L. M. Ghose, *Speeches*, p. 5.
89. Ranade, *Essays*, p. 327.

> of our rural society.... *We have agitated for a permanent settlement of the assessment on the Rayot's holding in this Presidency.*[90] (Emphasis added).

While advocating a permanent settlement the *Indu Prakash* of 7 March 1881 asserted:

> No one on this side of India has advocated the introduction of Zemindars in this Presidency, and if the *Indu* (Prakash) has given the palm to Bengal in point of agricultural prosperity, it is owing to its permanent settlement of land revenue.... This does not certainly mean that we should have the ryot displaced by the Zemindars. To understand it in this light is to betray a pitiable ignorance of the whole question.[91]

The clear-cut and decisive manner in which the *Mahratta* of 17 February 1884 dealt with the question is worthy of special note:

> If permanent settlement is desirable, Government must sacrifice something but it should go to *the ryots and not be absorbed by the middlemen or the zemindars.* By creating a landlord, Government, instead of encouraging industry and thrift, simply leaves the ryot in the hands of Zamindars. *Zamindary in Bengal is certainly not the peasant proprietorship of the economists....* The system which would most correspond to the peasant proprietorship will be the permanent ryotwari system.... This is the system for which we have been fighting.[92] (Emphasis added).

Seconding a resolution on permanent settlement moved at the 1888 session of the Indian National Congress, Sheikh Raja Hussain Khan represented that he wanted fixity of the government demand and not necessarily a permanent settlement 'similar to that in Bengal', and emphasised that 'landed tenures vary all over the country, and in each place the permanent

90. *JPSS*, Jan. 1884 (Vol. VI, No. 3), pp. 19-20.
91. *RNPBom.*, 12 March 1881.
92. Also see *Mahratta*, 22 Aug. 1886; and *Bengal Public Opinion* (*VOI*, 31 Jan. 1884).

settlement must vary accordingly'.[93] The *Hindu* of 13 September 1889 also denied that the nationalist demand meant the introduction of the zamindari system and claimed that 'no intelligent advocate of permanent settlement has a partiality for this system'. The *Hindu* was even more emphatic and clear in its issue dated 2 January 1891:

> The modern advocates of Permanent Settlement do not wish for the creation of a large class of Zamindars. They do not want the share of the Government in the produce of the land to be intercepted by a class of men who toil not, neither do they spin. It will be a measure which without the disadvantages of the Bengal system will secure all its advantages.

The *Bengalee*, edited by Surendranath Banerjea, the tallest leader of Bengal of the time, not only favoured permanent settlement with the cultivator but even went to the extent of condemning the Settlement of 1793. In its issue dated 28 June 1890 it pointed out that the zamindari tenure resulted in the creation of a long succession of intermediate tenure-holders between the zamindars and the actual cultivators, and declared:

> We fully approve of the principles of the Permanent Settlement; but what we maintain is that *it would have been a great thing for the country, if it could be concluded with the ryots*, and that it was grievous mistake on the part of Lord Cornwallis to have concluded it with the Zemindars.... But we must protest against any proposal to extend the Settlement (of 1793) to any other parts of the Empire that do not have it at present; the true principle upon which lands should be settled by the State being that the *worker who actually holds, cultivates and improves the land* must be secured in the quiet and undisturbed enjoyment of the fruits of his own

93. *Rep. INC for 1888*, p. 175. The point was reiterated by B. N. Sen, the mover of the resolution on permanent settlement at the Congress of 1889 (*Rep. INC for 1889*, pp. 48-9). Similarly, at the Congress of 1890 Janki Nath Bose assured that 'all through Bombay and Madras it is with peasant proprietors that we desire to see a permanent settlement' (*Rep. INC for 1890*, pp. 51-2).

> labour, *on payment only of a fair and fixed rent to the State as his land-lord.*[94] (Emphasis added).

Supporting the resolution on permanent settlement at the 1893 session of the Indian National Congress, B. G. Tilak made it clear that he was speaking not for zamindars but for ryots, and pointed out that the resolution spoke of 'the necessity of fixity and permanence of the Land Revenue demand without reference to the method of assessing the settlement or the Government Revenue'.[95] Another leader from Maharashtra, V. R. Natu, made the same point at the next session of the Congress in 1894 and cautioned the 'foreigners' against being 'misled into supposing that the bulk of the population in India requires a permanent settlement in the sense in which it is understood in Bengal'.[96] In his pamphlet, *The Indian Famines,* written in 1901, P. C. Ray, after roundly condemning the Bengal zamindars, demanded that the future permanent settlement, which was essential, should be 'directly between the State and the ryot, without any middlemen — such as zamindars, talukdars, or malguzars', and asked the government and the people not to do anything 'which might be turned by an unscrupulous set of people into a varitable engine of oppression or a death trap against him (the ryot)'.[97] The misrepresentation of the Indian demand that Curzon had made in the Land Revenue Resolution of 1902 did not escape G. Subramaniya Iyer. In an article, 'Lord Curzon's Resolution on Land Revenue and Famine', published in February 1902, he pointed out that the Resolution had erred in assuming that

> in demanding a permanent settlement... the critics of the land revenue policy demand the zemindari system also.... Mr. Dutt and others have repeatedly guarded themselves

94. Also see S. N. Banerjea, *Rep. INC for 1900,* pp. 75-6.

95. *Rep. INC for 1893,* p. 114. He also remarked that the Government might deal with landlords or with owners of the villages, or with the ryots according to the situation as already existing in different parts of the country.

96. *Rep. INC for 1894,* p. 38. Also see P. Mehta, *Speeches,* pp. 606-07; P. A. Charlu, *LCP,* 1900, Vol. XXXIX, p. 147.

97. Ray, *Indian Famines,* pp. 56-7.

> against their being understood as advocating the creation of zemindar middlemen between the ryots and the state. Their plan was... the permanent settlement should be directly between the cultivators and Government... as the zemindari system is no necessary feature of a permanent settlement, and as the proposal is for a direct settlement between the tenants and the State, the disturbing factor of the zemindar does not arise in the present discussion.[98]

Lastly, we may show that R. C. Dutt had also, no less than any other Indian leader, constantly kept in view the difference between the zamindari tenure of Bengal and a permanent settlement of land revenue. As early as 1874 he had, as a young official, made a vigorous attack on the Permanent Settlement of Bengal and described it as Cornwallis's 'prodigious blunder'.[99] Moreover, his career as a civil servant had earned him the ill-repute in the zamindari circles of having 'an inveterate dislike for the zemindar and his permanent settlement'.[100]

No doubt with the passage of time his dislike for the Permanent Settlement of Bengal mellowed down a lot and was even transformed into some sort of qualified admiration, yet he was clear in his mind that it was futile and perhaps even wrong to ask for the extension of the Bengal system to the rest of the country. Thus, in 1897, he pointed out that all objections to the principle of a permanent settlement of land revenue would disappear if it was applied according to 'the varying circumstances of each country'.[101] In his Presidential Address to the Indian National Congress of 1899, in which P. C. Ghose has seen a demand for the extension of 'the Bengal system to other parts of the country', Dutt not only put forward no such demand but in fact expressly declared that he did not desire to discuss 'the merits of the different systems prevailing in the different provinces of India — the *Zemindari* system of Bengal, the *Talukdari* system of Oudh, the *Mahalwari* system of the

98. *HR*, Feb. 1902, pp. 149-51. Also see Gokhale, *Speeches*, p. 24.
99. Dutt, *Peasantry in Bengal* (Cal., 1874), pp. 46ff.
100. *Bangabasi*, 10 Aug. (*RNPBom.*, 17 Aug. 1895).
101. Dutt, *England and India*, p. 134.

North-West, the *Malguzari* system of Central India, or the *Ryotwari* system of Southern India'. In a most unambiguous language he went on to assert: 'Never mind under what system or under what settlement he lives, assure to him an adequate proportion out of the produce of his land... and he is saved, and the nation is saved.'[102] Dutt made his position in the matter crystal clear in 1900 in his fourth letter to Lord Curzon:

> I do not at the present time ask for the extension of the Bengal system to other parts of India; I have not made any such suggestion in the three letters which I have had the honour to address to Your Excellency. Each Province in India has its own land system under which the people have lived for generations.... *What I have asked, my Lord, is that such protection be granted to the cultivator of each Province under the Land system under which he lives.*[103] (Emphasis added).

It is to be further noted that the Indian leadership — and in particular the Indian National Congress — invariably, used the phrases *permanent settlement of land revenue* and *fixity and permanency of the government demand on land* when demanding permanent settlement, thus leaving little doubt as to what exactly they wanted.[104] Similarly, their treatment of the history

102. CPA, p. 486. Perhaps what confused P. C. Ghose was Dutt's demand for the extension of 'the Bengal rule to other parts of India'. But that Dutt was here asking for the extension not of zamindari tenure but of the rule that one-sixth of the gross produce of the land constituted its proper rent is obvious, for the full sentence of his Address reads as follows: 'Extend the Bengal rule to other parts of India; make one-sixth the gross produce the maximum rent leviable from cultivators in other provinces, and the problem of preventing famines in India is solved' (*ibid.*, p. 481).

103. Dutt, *Open Letters*, p. 65. Also see *ibid.*, p. 74; *Speeches II*, pp. 17-8; *EHII*, p. xi.

104. See, for example, Letter from the Secretary of the Poona Sarvajanik Sabha, *JPSS*, Jan. 1879 (Vol. 1, No. 3), p. 43; Ranade, *JPSS*, July 1879 (Vol. II, No. 1), p. 16, *Essays*, p. 256; Petition adopted at a public meeting at Poona on 16 May 1880, *JPSS*, July 1880 (Vol. III, No. 1), p. 9; *Dnyan Prakash*, 8 Feb. (*RNPBom.*, 10 Feb. 1883); Resolutions XIV, VII, VI, III, IX, X, XIV, VII, and XXIII of INC for 1888, 1889, 1890, 1891, 1892, 1893, 1895, 1897, and 1900 respectively; B. N. Sen, *Rep. INC for 1889*, p. 48; Joshi,

of the debate on the question in the official circles in the past, their specific references to the Secretary of State's despatches of 9 July 1862 and 24 March 1865 and their declarations that the full implementation of these despatches would have fully satisfied the Indians, clearly bring out the fact that, while demanding permanent settlement, they had in mind not the introduction of the zamindari tenure of Bengal but the permanent limitation of the state demand on land.[105] It may also be pointed out that in the course of his historical analysis of the development of different land revenue systems of India, R. C. Dutt saw 'the fatal defect' of the ryotwari system not in its tenure or peasant proprietorship but in the temporary nature of its revenue settlement. And since Thomas Monro, the founder of the ryotwari tenure, favoured permanent settlement of revenue in the ryotwari areas, Dutt had nothing but praise for him.[106]

And if any further proof is needed regarding the true nature of the nationalist demand for permanent settlement, it is provided by their willingness to agree, in a spirit of compromise and realism, to a modified permanent settlement of revenue under which land revenue would be fixed in perpetuity but would be liable to change on the sole ground of, and to the extent of, changes in prices.[107] In this context, the nationalist

op. cit., pp. 363, 811, 824-5; R. N. Mudholkar in *Indian Politics*, pp. 45-6; P. A. Charlu, *LCP*, 1898, Vol. XXXVII, p. 502, and *ibid.*, 1900, Vol. XXXIX, p. 146; C. Sankaran Nair in *CPA*, pp. 384-5; Dutt, *England and India*, pp. 51, 134-5, *Speeches II*, p. 168; Gokhale, *Speeches*, p. 24.

105. Ranade, *JPSS*, July 1879 (Vol. II, No. 1), pp. 14-5; Petition adopted at a public meeting at Poona on 16 May 1880, *JPSS*, July 1880 (Vol. *III*, No. 3), p. 9; B. N. Sen, *Rep. INC for 1889*, pp. 48-9: Resolutions VI, XI, II, III, III, and III(b) of INC for 1899, 1893, 1894, 1898, 1902, 1903 and 1904 respectively: Joshi, *op. cit.*, pp. 364, 811; Dutt, *England and India*, pp. 91-2, *Speeches I*, pp. 19-20, *Speeches II*, pp. 40-1, 172-3, *Famines in India*, p. xii, *EHII*, pp. x-xi, 273-291; R. N. Mudholkar in *Indian Politics*, pp. 45-6; Gokhale, *Speeches*, p. 25.

106. Dutt, *EHI*, pp. 123-5, 135-40, 152, 168. Also see Dutt, *England and India*, pp. 49-50, *Open Letters*, p. 31, *EHII*, pp. 77-8. Similarly, Dutt praised Elphinstone because the latter had tried to maintain village communities, village panchayats, etc., even though he too was a firm proponent of the ryotwari system (*EHI*, pp. 352-65).

107. Petition adopted at a public meeting at Poona on 16 May 1880,

leaders welcomed and supported the compromise suggested by Ripon[108] in the despatches of October 1882 and May 1883 that no new land survey would be undertaken and that no upward revision of assessment would be made unless (a) the area under cultivation had increased, (b) prices had risen, and (c) production had increased as a result of improvement made from state funds.[109] Furthermore, in order to circumvent the objection that permanent settlement of revenue would yield an unknown amount of 'unearned income' to the landowners in areas where a large part of cultivable land had not yet been brought under cultivation, the Indian leadership expressed its willingness to limit the demand to only those areas which had already been fully developed according to the government's own criteria.[110] Obviously, if under the modified nationalist demand the amount of land revenue was linked with prices, the original demand could have referred not to the systems of tenure but only to the principles of assessment.

In view of the facts brought out above, the interesting question arises: how could so much confusion arise about the

JPSS, July 1880 (Vol. III, No. 1), pp. 8-9; Ranade, *Essays*, p. 327, *JPSS*, Oct. 1881 (Vol. IV, No. 2), p. 56, *ibid.*, Jan. 1884 (Vol. VI, No. 3), p. 21, *ibid.*, Apr. 1884 (Vol. VI, No. 4) p. 55; Sheikh Raja Hussain Khan, *Rep. INC for* 1888, p. 175; R. N. Mudholkar, *Rep. INC for* 1890, p. 49; K. G. Deshpande, *Rep. INC for* 1891, p. 33; Resolution II(b) of INC for 1899; P. A. Charlu, *LCP*, 1900, Vol. XXXIX, p. 146; P. Mehta, *Speeches*, p. 607; Dutt, *Speeches I*, pp. 181-2, *Open Letters*, pp. 48, 66, 79, *Famines in India*, p. xv, *Speeches II*, pp. 187-8, *EHII*, p. 514; Gokhale, *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, p. 245; L. A. G. Iyer, *Rep. INC for* 1903, p. 56.

108. Dutt, *EHII*, pp. 503-04; S. Gopal, *The Viceroyalty of Lord Ripon* (London, 1953), p. 189.

109. Ranade, *JPSS*, Jan. 1884 (Vol. VI, No. 3), pp. 4-11; *Sadharani*, 23 Nov., *Sanjivani*, 22 Nov., *Samachar Chandrika*, 24 Nov. (*RNPBeng.*, 29 Nov. 1884); *Gramvarta Prakashika*, 29 Nov. (*ibid.*, 6 Dec. 1884); *Pratikar*, 12 Dec. (*ibid.*, 20 Dec. 1884); Resolutions XI, II, VI, and II (b) of INC for 1893, 1894, 1898, and 1899 respectively; R. N. Mudholkar, *Rep. INC for* 1896, p. 157, *Rep. INC for* 1901, p. 87; P. Mehta, *Speeches*, p. 607; Dutt, *Speeches I*, pp. 158-60, *Open Letters*, pp. 35, 41, 53-4, 79, *Famines in India*, pp. xiii, xv, *Speeches II*, p. 9, *EHI*, p. 170, *EHII*, pp. xi-xii, 503-04.

110. Resolutions VII, VI, III, III, and III(b) of INC for 1889, 1890, 1902, 1903, and 1904 respectively; Dutt, *Speeches I*, pp. 181-2, *EHI*, p. 184; Gokhale, *Speeches*, p. 24; R. N. Mudholkar, *Rep. INC for* 1901, p. 87.

meaning of the Indian nationalist demand for permanent settlement when the true position was so clear and definite. In answer it may be hazarded that in part at least the confusion was perhaps deliberately induced in order to discredit the nationalist attack on the land revenue system by misrepresenting the nationalist standpoint and in order to divert public attention both in England and in India from the main issue raised by the Indians, namely, over assessment of land. In any case, it cannot be gainsaid that there was something grotesque and hypocritical in the manner in which those belonging to the Establishment in England — the titled gentry, the hereditary Lords, the proprietors of huge landed estates in Ireland who resented and opposed any attempt to protect and help the Irish tenant, the leading lights of the Tory Party, the opponents of nationalisation of land in Britain, and the members of the most highly paid civil service in the world — became champions of the Indian ryot and accused the Indian national leaders of being champions of the privileged classes. In fact, the irony of the situation was not lost on the Indians. For example, replying to Curzon's assertion that the Permanent Settlement had not been successful in any civilised country, R. C. Dutt remarked in 1902: 'English landed proprietors, who themselves enjoy and appreciate the benefits of a permanent settlement in England under Pitt's Act of 1798, learn to repeat, when they arrive in India, that what is good for themselves is not good for the people of India.'[110a]

However, such widespread confusion might not be the result of misrepresentation alone. As a matter of fact, certain aspects of the land policy of some of the Indian leaders and the manner in which some of them argued the case for permanent settlement of revenue did tend to mislead and confuse the casual observer. Firstly, sometimes the Indian leaders, particularly the Indian National Congress, used in some of the later years only the words 'permanent settlement' when putting forward their

110a. Dutt, *Speeches II*, p. 173. Also see Gokhale, *Speeches*, p. 25.

demand, and omitted to add the words 'of land revenue'.[111] That this lacuna had, however, no significance and was nothing more than a mere linguistic 'laziness' would be obvious to any person who would care to read the earlier resolutions of the Congress and the mass of nationalist writing and public utterances on the subject which we have cited earlier.

Secondly — and this perhaps was the most important factor — many of the advocates of permanent settlement of land revenue, and in particular R. C. Dutt, drew a rather favourable picture of the conditions in the Bengal countryside and held up Bengal as an example of what permanent settlement could achieve in practice. They declared that Bengal suffered least from famines because the Bengal ryot had been enabled by the permanent settlement to develop a high degree of economic resistance against famines, and that the Bengal ryot was materially better placed than his unfortunate counterparts in the rest of the country.[112] This sentiment was sometimes expressed in a highly exaggerated manner by R. C. Dutt who at times went to the extent of asserting that the Permanent Settlement had 'secured the prosperity and happiness of the people of Bengal'.[113] Dutt also pronounced repeatedly that the Bengal zamindars charged fair and moderate rents which did not on the average exceed one-fifth of the gross produce.[114]

111. Resolutions XIII, III, III, III, and III of the INC for 1896, 1901, 1902, 1903, and 1904 respectively.

112. Ranade, *JPSS*, July 1879 (Vol. II, No. 1), pp. 17-8; *Indu Prakash*, 10 March (*RNPBom.*, 15 March 1879); *Shivaji*, 8 Aug. (*ibid.*, 16 Aug. 1879); *Indu Prakash*, 7 March (*ibid.*, 12 March 1881); Memorandum by the Poona Sarvajanik Sabha, *JPSS*, July 1881 (Vol. IV, No. 1), p. 8; *ABP*, 5 Oct. 1882, 28 Nov. 1889, 27 March 1900; B. N. Sen, *Rep. INC for 1889*, p. 48; J. N. Bose, *Rep. INC for 1890*, p. 51; A. Nundy in *Indian Politics*, pp. 33-4; Malaviya, *Rep. INC for 1900*, p. 99; Dutt, *England and India*, pp. 13, 134, *Speeches I*, pp. 15-8, 180-1, in *CPA*, p. 481, *Open Letters*, pp. 59-60, 64-5, *Speeches II*, pp. 4-5, 40, 169, *EHI*, pp. 94-6, *EHII*, pp. x, 461, 509, and cited in J. N. Gupta, *Life and Work of R. C. Dutt* (London, 1911), pp. 333-4; S. N. Banerjea in *CPA*, p. 698; L. M. Ghose in *CPA*, p. 759.

113. Dutt, *Francis's Minutes*, p. iv. Also see *Speeches I*, p. 18, *Open Letters*, p. 64. *EHII*, pp. 94-5.

114. Dutt in *CPA*, p. 484, *Open Letters*, pp. 22, 61-4, *Famines in India*, pp. ix, 106-07, *EHII*, p. 461. The obvious mistake in Dutt's figures in this respect sprang from his failure to note that there existed in Bengal a large

There were, however, several other leaders from Bengal and other parts of India who criticised the Permanent Settlement of Bengal for having put the ryot at the tender mercies of the zamindar. For example, in 1901, P. C. Ray condemned the Bengal Permanent Settlement in the following words:

> Excepting an extremely limited and selfish class of people known as the zemindars, this system has benefited neither the State nor the ryots.... The ryot in a permanently settled district is no less rack-rented or any way better treated than the ryot of any other district in the country.... If the Bengal ryot thrives and prospers, it is certainly not with the help and support of his Zemindar but in spite of him. The average Bengalee Zemindar, — particularly the average absentee landlord — is as much of a heartless screw as those enemies of the ryots who thrive all over the country under such different names as the bania, the sowcar, or the mahajan.[115]

It should also be kept in view that R. C. Dutt himself seldom argued that the Permanent Settlement of 1793 had by itself made the Bengal ryot prosperous. He invariably made it a point to link its benefits with the benefits of the tenancy laws of 1859 and 1885. To him the Regulation of 1793 and the laws of 1859 and 1885 were not only mutually complementary but even more the two sides of the same medal; it was as a result of the joint working of these two sets of laws that the lot of

number of intermediaries between the actual cultivator and the zamindar. While the zamindar might not take more than 20 per cent from the occupancy tenant, the ultimate cultivator probably paid a much larger percentage of his gross produce. This was, of course, increasingly true of the ryotwari areas too.

115. Ray, *Indian Famines*, pp. 55-6. Also see S. N. Banerjea, *Speeches II*, pp. 12-3; *Indian Spectator*, 25 Sept. (RNPBom., 1 Oct. 1881); *Gramvarta Prakasika*, 16 Feb. (RNPBeng., 1 March 1884); *Mahratta*, 17 Feb. 1884; *Bengalee*, 28 June 1890. Also see below section on Bengal Rent Bill. As pointed out earlier, as a young man Dutt himself had condemned in 1874 the Permanent Settlement of 1793 for permitting the zamindars to oppress and impoverish the helpless ryots. See *Peasantry of Bengal*, pp. x, 46 ff. In 1888, G. V. Joshi had roundly condemned the prevalence of high rents in Bengal. *Op. cit.*, p. 884.

the Bengal ryot had improved and become better than that of the ryots elsewhere. And just as he showered praise on the Permanent Settlement of 1793, at the same time, in the same manner, and as loudly and unstintingly, he hailed the Tenancy Acts of 1859 and 1885.[116] When Curzon uncharitably taunted him and other Indian leaders in the Resolution of 1902 with not laying sufficient stress on the need for placing a limit on the demands of the zamindars on their tenants,[117] Dutt was touched to the quick and gently pointed out to Curzon that he had not only always acknowledged that the Rent Acts of Bengal 'completed the good work done by the Permanent Settlement', but that he himself had contributed not a little to the framing of the Rent Act of 1885.[118] Dutt could have in fact also pointed out that as early as 1874 he had pressed for a permanent settlement between the zamindar and the ryot and pleaded: 'Let the rates of rent now payable be carefully ascertained after an extensive survey, and let such rates be declared fixed forever.'[119]

Thirdly, most of the Indian leaders did not demand the abolition of the zamindari tenure, and saw little difference between the ryotwari tenure and the zamindari tenure so far as the welfare of the ryot was concerned. Their indifference did not,

116. Dutt, *England and India*, pp. 90-1, 116, *Speeches I*, pp. 15-6, 180, in *Indian Politics*, p. 55, in CPA, p. 481, *Open Letters*, pp. 18-9, 59, 61, 65, 78, *Francis's Minutes*, pp. vii-viii, *Speeches II* pp. 4-5, 170, EHII, pp. 263-4, 437, 460-1.

117. *Land Revenue Policy of Government of India*, 1902, para 9.

118. Dutt, *Speeches II*, p. 170.

119. Dutt, *Peasantry of Bengal*, p. 83. The moral basis for such an action had been put forward as follows by Dutt: 'And yet, who is this zamindar, who harasses the ryots for increase of rent? *He* sits quietly at his comfortable house in the city of palaces, — *they* labour in the field from sunrise to sunset and often keep vigils from sunset to sunrise; *they* work under the burning sun of May, under the torrents of August and in the shivering cold of December; *they* till the land and sow it, and weed the plants and reap the corn, — and *they* are harassed because they are unwilling to part with an ever-increasing portion of the fruits of their unceasing work. What is it that thus enables the zamindar to harass these ryots? Is there any moral right which enables an idler to oppress the poor and the lowly? The code of morals must be strange, indeed, which would sanctify such a deed' (p. 87).

however, spring primarily from a love for the landlord but from their belief that, as far as the evils of landlordism were concerned, there was little to choose between the zamindari and ryotwari systems since both were in reality just different systems of landlordism — one private landlordism and the other state landlordism. While under the former rent was appropriated by the individual landlord, under the latter the government came forward and appropriated it. For the cultivator there was in practice little to choose between the two systems.[120] R. C. Dutt pointed out in this connection that the ryotwari system had originated not in the East India Company's desire to save the ryot from the clutches of the landlord but in its desire to maximise its own revenues by preventing interception of a part of the profits by intermediaries;[121] the Company had been jealous of the landlord's gains and not solicitous of the ryot's welfare. Under this system the Company had acquired 'as good a grip over the cultivators as a slave owner has over his slaves, and could take away all that was not needed to keep them alive'.[122] Some of the Indian leaders further maintained that, if anything, the zamindari system had an edge over the ryotwari system in two respects. For one, while the government could and did legislate against the zamindars to protect the ryot from undue enhancement of rent and other oppressions, it consistently refused to put any legal or other restrictions on its own powers of enhancing land revenue and determining its relations with the cultivator in other respects. Once a permanent settlement of revenue was granted its benefits

120. The argument was mostly implicit in their approach. It was, however, sometimes explicitly put forward. See, for instance, 'Review of C. J. O'Donnell's "The Ruin of an Indian Province" ', *JPSS*, Jan. 1881 (Vol. III, No. 3), p. 38; *Indu Prakash*, 7 March (*RNPBom.*, 12 March 1881); *Hindu*, 14 Apr. 1884; Joshi, *op. cit.*, p. 885; Dutt, *England and India*, p. 130; *ABP*, 28 July 1904.

121. Dutt, *EHI*, pp. 128, 132-3, 190, 362, 365. Dutt quoted the following passage from a book by Henry St. John Tucker, one of the Directors of the Company: 'It cannot be concealed or denied that the object of this (Ryotwari) system is to obtain for Government the utmost that the land will yield in the shape of rent' (*ibid.*, pp. 133, 362).

122. *Ibid.*, p. 362.

could be and should be extended to the cultivators by imposing restrictions on the zamindars' or other superior holders' right to enhance rents. In fact, the government could do so now with good grace since it would have set up a good example in place of its existing policy of permitting, encouraging, and even forcing the zamindars to screw up rents.[123] The second respect in which, according to some of the Indian leaders, the zamindari tenure was superior to the ryotwari tenure lay in the Drain. They argued that, if the ryot had to pay a heavy rent, it was better that he paid it to the Indian landlord, who expended it within the country, rather than that he paid it to the government which because of its alien character drained it out of the country.[124]

Fourthly, some confusion is also caused by the fact that some of the Indian leaders, being appalled at the manner in which the Indian people had been reduced to a uniformly low level of social existence without any outlets for their talents, looked wistfully upon the zamindars as at least one class of people who were able to keep up some standards of social and intellectual excellence. In their eyes the zamindars appeared to serve the useful purpose of preventing the reduction of the entire Indian people to the dead level of an obscure and plebian

123. Ranade, *Essays*, pp. 29-30, 327; 'Review of C. J. O'Donnell's "The Ruin of an Indian Province"', *JPSS*, Jan. 1881 (Vol. III, No. 3); S. S. Iyer, *Rep. INC for 1886*, p. 62; H. A. Rahim, *Rep. INC for 1890*, p. 55; G. C. Singh, *Rep. INC for 1893*, pp. 115-6; *Kerala Patrika*, 26 Jan. (RNPM, 31 Jan. 1895); Malaviya, *Speeches*, pp. 266-8; Dutt, *England and India*, p. 13, *Speeches* I, p. 15, in CPA, p. 482, *Open Letters*, pp. 59, 74-6, 78. Also see above f.ns. 40-1. R. C. Dutt, for example, extended full support to the rent acts of the different provinces and pleaded for an even greater measure of protection to the tenant. See letters to the *Pioneer*, during February 1899, and letter to Antony MacDonnell, dated 14 Sept. 1900, quoted in J. N. Gupta, *op. cit.*, p. 349, *Speeches II*, p. 178, and EHII, pp. 268-71, 458-60, 467.

124. S. N. Banerjea, *Speeches II*, pp. 10-11; *Hindu*, 14 Apr. 1884; *ABP*, 22 Nov. 1883, 3 Feb. 1901; Dutt, EHI, pp. 96, 133, and quoted in J. N. Gupta, *op. cit.*, p. 334. Also see ABP, 25 Jan. 1902. It should be noted that this was a neat turning by the Indian national leaders of the official argument that under the zamindari system the benefit of rent accrued to a parasitic class while under the ryotwari system it accrued to the government.

existence.[125] Moreover, a section of the Indian leadership was convinced that people required leaders and a middle class; and it appeared to it that the zamindars might constitute this middle class and that they were the natural leaders of the countryside.[126] In this respect a long editorial explanation of its defence of the Permanent Settlement of 1793 offered by the *Amrita Bazar Patrika* in its issue dated 20 January 1871 makes interesting reading. It deserves reproduction as it gives us a good insight into the thought processes of an important section of Bengal, and, perhaps Indian, nationalist opinion, even though it was penned nearly a decade before the commencement of the period covered by the present study. At the outset, the editorial laid down:

> It is known and universally admitted that as a class they (the zemindars) do not deserve well of their countrymen, the greater number of them being unenterprising, idle, weak and ignorant, oppressive and selfish. We know too that they squander away annually vast sums of money after frivolous and mischievous pursuits which (money) morally belong to the Ryots, and that *the ruin of some of them would liberate millions of Ryots from a semi-bondage.* We know all this and we respect and love the Ryots more than we can do the zemindars, *yet we must support them* (zemindars). *It is a cruel necessity and though cruel still it is a necessity.*

The necessity, the editorial continued, arose in two ways. Firstly, for public agitations the Indians needed money and only zamindars had it in the country, merchants having been ruined. In Madras, where there existed no zamindars, public causes and

125. Ranade, *Essays*, pp. 287, 290; Dutt, *EHI*, pp. 131-2, *EHII*, p. 43.

126. Ranade, *JPSS*, July 1879 (Vol. II, No. 1), pp. 2, 17-8, *Essays*, pp. 239-42; Memorandum from the Poona Sarvajanik Sabha, *JPSS*, July 1881 (Vol. IV, No. 1), p. 9; *Brahmo Public Opinion*, 28 Oct. 1880; *ABP*, 22 Nov. 1883; *Mahratta*, 27 July 1890; *Indu Prakash*, 28 July 1890; B. N. Sen, *Rep. INC for 1890*, p. 50; *ABP*, 20 Feb. 1899; Dutt, *EHI*, p. 132, *EHII*, pp. 52, 58, 86, 88-9, 264, 267. Dutt remarked in Volume II of his *Economic History of India* that in the absence of Village Communities and intermediate landlords, a new class of leaders had arisen in the Punjab, namely, 'speculators, shroffs, and money-lenders—the worst aristocracy that any conutry can have' (*EHII*, pp. 89-90).

agitations suffered acutely from lack of funds and donors. Secondly, the English had already appropriated all sources of wealth arising out of trade, industry, and public employment; only land was left. If the zamindars were removed, the English would appropriate the agrarian wealth too, since there was little chance of the benefits of change going to the tenant. It was better that the zamindars, 'bad as they are enjoy the fruits of the Ryot's labours than the Europeans'. The editorial dilated on this point at length:

> *Ryots enriched at the expense of the zemindars must always be a desirable sight, as Europeans enriched at the expense of both the Zemindars and Ryots must always be undesirable* and we have no guarantee that the Government intended to destroy the settlement for the benefit of the Ryots, on the contrary we have every reason to fear that the revenues thus increased from land shall be squandered away not for our benefit but for the benefit of the favoured race.

The editorial concluded with the bold declaration: '*Let the people have first some control over the Finances of the country and then we shall oppose with all our heart and soul a settlement which we are at present constrained to support*' (Emphasis added).

Be that as it may, all these factors at the most go to prove that many of the Indian leaders tended to ignore the question of landlordism and landlord exploitation of the peasant; these factors should not, however, be permitted to obscure the fact that in raising the demand for permanent settlement of land revenue the Indian leaders meant precisely what they said and were not asking for the back-door introduction of the zamindari tenure.

CHAPTER X

Agriculture, II

Let the landlords be placed in a position in which they may not oppress the tenants, but, at the same time, let not the tenants be encouraged to set them at nought and defy them in matters of social delicacies. Let the interest of the one be to love the other, and the interest of the other to respect him.

—*Amrita Bazar Patrika*, 8 January 1885

Whatever were the primary causes... that fastened crushing hard work and slavery on one section of society and gave perfect leisure and exemption from manual work to the other, it is now perfectly clear that the tendencies of modern civilisation, and the growing sense of equality would not permit those unequal and unjust relations between them to subsist long. The day of re-arrangement must come sooner or later and we must be prepared to welcome it without grudging and grumbling.

—*Mahratta*, 21 October 1883

If we call the oppression by the English a spark, we ought to call the oppression by the Rajas and Zemindars a conflagration.

—*Banganivasi*, 30 October 1891

I. THE PEASANT AND THE LANDLORD

The tax-collector's was not the only claim on the cultivator's produce. In the zamindari areas of Bengal, Bihar, Orissa, Northern Madras, the Central Provinces, the N.-W.P. and Oudh, and in small parts of Bombay and the Punjab the actual cultivator was a tenant who paid rent to the zamindar out of which the latter paid land revenue to the government. Besides, in all these areas the number of intermediaries—rent-receivers and rent-payers—between the zamindar and the actual cultivator was continuously multiplying. Moreover, even in the ryotwari areas peasant-proprietorship was slowly disintegrating and disappear-

ing; the peasant-owners were gradually losing land to money-lenders, traders, professional classes, and bigger proprietors, who invariably became absentee landlords and who let the old proprietors continue but in the new role of rack-rented tenants-at-will. Ever-mounting rents and evictions were creating an explosive situation in the countryside; and in one form or another the question of landlord-tenant relations had become an important economic and political problem. The government therefore felt compelled to take up the question of giving some relief to the rack-rented and disaffected tenantry and to pass a series of tenancy and rent acts in the different provinces. It may be noted that the government completely ignored the problem of the tenants-at-will in the ryotwari areas.

Surprisingly enough, however, the national leadership not only had no clear-cut policy on the question but did not even pay sufficient attention to it. It did not regard the relation between the tenant and the landlord as a major economic problem, nor did it espouse the cause of the tenants through a general political agitation. The extent to which the problems of the tenantry were ignored by the national leadership may be gauged from the fact that the Indian National Congress had virtually nothing to say about them during the period under study.[1] But a leadership that was alive and active and that was increasingly coming to grips with the economic realities then facing the country could not shut its eyes to these problems. It dealt with these problems at two levels: the general and the particular. At the former level, they made sporadic comments and offered general remedies, often taking a vaguely pro-tenant stand. At the second level, they commented on the different tenancy and rent acts passed by the government. Here they

1. The only exception occurred in 1899 and that too in the form of a resolution on the Punjab Land Alienation Bill. The Congress recommended, among other things, that 'where private landlords are the rent-receivers, some provision to prohibit undue enhancement of rent be made' (Resolution II-b). The silence of the Congress on the question of landlordism is to be contrasted with A.O. Hume's strong condemnation of 'absolute landlords', 'rent-charge holders', and 'useless middlemen' in his booklet, *Hints on Agricultural Reform in India* (Calcutta, 1879, p. 3).

had to express opinion on, or to suggest, concrete remedies for particular maladies and, therefore, to openly come out as the protagonists of either landlords or tenants.

On a general plane, the nationalist newspapers sometimes expressed humanitarian solicitude for the tenants in zamindari areas and protested against the rack-renting, evictions, and the general oppression of the tenants by the zamindars.[2] The protest was sometimes couched in strong words. Thus, the *Bengalee* of 9 December 1882, criticising oppression by powerful zamindars, wrote: 'Tyranny is hateful in all forms, whether it is the white man or the black man who is the tyrant, whether the oppressor has been born and bred amongst us, or whether he comes from the far west!'[3] The *Som Prakash* of 24 July 1882, disapproving of a system of revenue collection under which 'one person enjoys with all the luxury of ease the hard-earned wealth of ten thousand persons', asked rhetorically 'on what ground should one enjoy the fruit of another's labour', and declared: 'As the landlords have in course of time become increasingly powerful so the tenants have become increasingly miserable.'[4] The *Bangabasi* of 14 June 1884 described the village zamindar, whom no law or regulation could reach, as 'the

2. *Som Prakash*, 14 June (*RNPBeng.*, 19 June 1880); *Navavibhakar*, 12 July (*ibid.*, 17 July 1880); *Burdwan Sanjivani*, 9 Nov. (*ibid.*, 20 Nov. 1880); *Bharat Bandhu*, 26 Nov. (*RNPPN*, 2 Dec. 1880); *Sadharani*, 15 May (*RNPBeng.*, 21 May 1881); *Kerala Mitran*, 30 Apr. (*RNPM*, May 1881); *Hindi Pradip*, Aug. (*RNPPN*, 3 Sept. 1881); *Indian Spectator*, 25 Sept. (*RNPBom.*, 1 Oct. 1881); *Paridarshak*, 1 Jan. (*RNPBeng.*, 14 Jan. 1882); *Som Prakash*, 26 June (*ibid.*, 1 July 1882); *Utkal Dipika*, 15 July (*ibid.*, 22 July 1882); article in *Pravag Samachar*, 11 Dec. (*RNPPN*, 14 Dec. 1882); *Sadharani*, 7 Jan. (*RNPBeng.*, 13 Jan. 1883); *Samaya*, 28 May (*ibid.*, 2 July 1883); *Sahachar*, 18 July (*ibid.*, 28 July 1883); *Gramvarta Prakasika*, 22 March (*ibid.*, 5 Apr. 1884); *Samaya*, 29 Dec. 1884 (*ibid.*, 3 Jan. 1885); *Sahachar*, 6 May (*ibid.*, 16 May 1885); *Surabhi-o-Pataka*, 9 Dec. (*ibid.*, 18 Dec. 1886); *Sanjivani*, 14 Jan. (*ibid.*, 21 Jan. 1892); *Prakriti*, 21 Jan. (*ibid.*, 28 Jan. 1892); *Sanjivani*, 11 Feb. (*ibid.*, 18 Feb. 1892); *Banganivasi*, 25 Oct. (*ibid.*, 2 Nov. 1895); *Charu Mihir*, 27 Apr. (*ibid.*, 9 May 1896); *Keral Patrika*, 16 Nov. and *Kerala Sanchari*, 20 Nov. (*RNPM*, 30 Nov. 1895); *Kerala Chandrika*, 20 March (*ibid.*, 31 March 1896); *Kerala Sanchari*, 1 July (*ibid.*, 15 July 1896); *Hindustan*, 25 Aug. (*RNPN*, 31 Aug. 1898); and newspapers cited in the text. Also see *Mahratta*, 17 Feb. 1884.

3. Also see *Bengalee*, 23 Jan. 1892.

4. *RNPBeng.*, 29 July 1882.

greatest scourge of Bengal'.[5] The *Banganivasi* of 30 October 1891 published a long and angry editorial condemning the 'inhuman and unspeakable oppression' of the ryots by the zamindars and their gomastas and other underlings. It criticised the inaction of the educated people in the matter and wrote:

> If these countrymen of ours (zamindars and their agents), dressed in a little brief authority can commit this hideous oppression, how can we reasonably clamour against a slight stretch of authority by a foreign head of a district possessed of unlimited power? If we call the oppression by the English a spark, we ought to call the oppression by the Rajas and Zamindars a conflagration.[6]

In N.-W.P. and Oudh, the *Oudh Punch*, the premier humorous weekly of North India, edited by Sajjad Husain, one of the leading Muslim supporters of the Congress in the north, published on 18 January 1894 a cartoon in which two half-clad and bare-footed cultivators were shown carrying their landlord in a palanquin. The fat landlord wore glittering jewellery and the insignia of the Star of India. The cartoon bore the caption, 'The Cause of Famine', and one of the cultivators was saying to his companion: 'My friend, his weight is simply crushing us to death. Why not throw him away?'[7] In Malabar, the *Kerala Patrika*, edited by K. P. Karunakara Menon, in its issue dated 21 March 1896, attributed the frequent Moplah outbreaks to the poverty caused by the intolerable oppression of the landlords who oppressed tenants of all classes and communities.[8] On 4 July 1896 the *Kerala Patrika* warned the government that, if landlord oppression was not checked, not only the Moplah outbreaks would not cease but Nayar outbreaks would also occur.[9]

A few of the Indian public men also assailed the system of

5. *Ibid.*, 21 June 1884.
6. *Ibid.*, 7 Nov. 1891.
7. *RNPN*, 24 Jan. 1894.
8. *RNPM*, 31 March 1896. Also see *Kerala Patrika*, 1 Aug., 12 and 26 Dec. (*ibid.*, 15 Aug., 31 Dec. 1896).
9. *Ibid.*, 15 July 1896.

zamindari. In the early 1870's, a powerful attack on the zamindars was made by Bankim Chandra Chatterjea in his articles on '*Samya*' in the *Banga Darshana*.[10] He was followed by young R. C. Dutt.[11] In a long article the *Mahratta* of 17 February 1884 vigorously attacked the system of zamindari. As discussed below, the Indian Association and many nationalist leaders adopted a pro-ryot attitude during the controversy on the Bengal Rent Bill. Later still, Prithwis Chandra Ray held the zamindari system and the oppression by the zamindars responsible for the poverty of the people in his two publications, *The Poverty Problems in India*, published in 1895, and *The Causes of Indian Famines*, published in 1901.[12] G. V. Joshi made a detailed criticism of landlordism, both in the zamindari and the ryotwari areas, in his essay. 'The Economic Situation in India', published in 1890. He pointed out that all over the country sub-leasing of land was increasing and the number of intermediaries and tenants-at-will multiplying, and that the rents were being forced up to ruinous heights by the increasing competition for land, which in turn was the result of increase of population combined with the progressive collapse of non-agricultural industries. High rents and insecurity of tenure in turn destroyed all effective motives on the part of the actual cultivator to improve land.[13] To sum up:

> The Ryot is so placed that he has nothing to gain by any amount of industry or prudence that he might practise, and nothing to lose by any amount of recklessness: he has nothing to hope, and being above all anxious not to be dispossessed of his few acres, he pays any rents rather than starve. 'A situation more devoid of motives' to self-help and self-exertion can hardly be imagined.[14]

In his essay, 'Notes on Agriculture in Bombay', published in 1894, Joshi dealt at length with the growth of landlordism and

10. Dutt, *Peasantry in Bengal*, pp. 210-28.
11. *Ibid.*, pp. 46ff.
12. Ray, *Poverty*, pp. 179, 200; *Indian Famines*, pp. 39-40, 55-7.
13. Joshi, *op. cit.*, pp. 870-94, 900-01, 904-05.
14. *Ibid.*, p. 884.

tenants-at-will, 'owing partly to the extended practice of subletting and partly to the consequences of unrelieved indebtedness', and bemoaned the fact that no tenant-right proper or tenancy laws existed in the presidency of Bombay, so that there was 'no provision for the accrual of occupancy rights and the under-tenant has no legal protection against rack-renting or eviction'.[15]

Many of the Indian leaders suggested positive steps for the protection of the tenants. The most popular of these were the grant of legislative protection to them against undue enhancement of rent, rack-renting, eviction, destruction of tenant-rights, etc., and the extension and strengthening of occupancy and other rights.[16] It is of some interest to note that three of the leading nationalist economists, namely, Justice Ranade, G. V. Joshi, and R. C. Dutt, lent full support to the tenancy legislation undertaken by the government and put in vigorous pleas for the further strengthening of tenant-rights.[17] G. V. Joshi also asked the authorities to extend legislative protection to the utterly unprotected under-tenants in the ryotwari areas of Bombay.[18]

Understandably enough, there was no widespread demand for the abolition of the zamindari system during the period of our study. But, what is of greater interest, the demand *was* voiced. Thus, the *Indian Spectator* of 2 October 1881 urged the government to buy up all zamindaris and then to settle

15. *Ibid.*, pp. 351-2. Also see p. 411.

16. S. S. Iyer, *Speeches and Writings*, pp. 250-4; *Som Prakash*, 14 June (*RNPBeng.*, 19 June 1880); *Sadharani*, 23 Jan. (*ibid.*, 29 Jan. 1881); *Som Prakash*, 14 Aug. (*ibid.*, 19 Aug. 1882); *Kavivachan Sudha*, 5 March (*RNPPN*, 15 March 1883); S. N. Banerjea, *Speeches II*, pp. 15, 17; *Kerala Patrika*, undated (*RNPM*, March 1886); H. A. Rahim, *Rep. INC for 1890*, p. 55; *Banganivasi*, 25 Oct. (*RNPBeng.*, 2 Nov. 1895); *Kerala Patrika*, 16 Nov. and 14 Dec. (*RNPM*, 30 Nov. and 31 Dec. 1895); *Kerala Patrika*, 4 July and 1 Aug. (*ibid.*, 15 July and 15 Aug. 1896); *Hindustan*, 25 Aug. (*RNPN*, 31 Aug. 1898); Ray, *Poverty*, pp. 217, 273; Malaviya, *Speeches*, pp. 266-8, *Rep. INC for 1900*, p. 98; Resolution II(b) of INC for 1899.

17. Ranade, *Essays*, pp. 30-1, 327; Joshi, *op. cit.*, pp. 878-84; Dutt, cited above in Chapter IX, f.n. 116, and in *CPA*, p. 482, *Open Letters*, pp. 18, 74-8, and cited in J. N. Gupta, *op. cit.*, p. 349.

18. Joshi, *op. cit.*, pp. 365-6.

directly with the ryots.[19] The *Som Prakash* of 24 July 1882 entreated the government to follow the example of the Russian government and to remove the zamindars by paying them compensation equal to 20 years' profit, the cost to be borne equally by the government and the ryots.[20] Sometimes the Indian leaders temporised with the demand and, accepting the zamindari system as a settled fact, advocated a permanent settlement between the zamindar and his tenant.[21]

The *Bengalee* of 12 June 1880 made another interesting criticism of the Permanent Settlement of Bengal. It was, asserted the *Bengalee*, responsible for the lack of industrial and commercial activity in Bengal as it created a source of sure profits in the zamindaris and thus led to the diversion of capital from industry to landlordism. Two years later, in its issue dated 28 January 1882, the *Bengalee* repeated the criticism and opined that the prevalence of the zamindari system explained the marked difference between the levels of industrial and commercial activities in Bombay and Bengal.

In contrast, the instances in which Indian leaders espoused the cause of the zamindars or other superior holders of land as against the ryots on general grounds were very rare. In Bengal, the *Bangabasi* of 19 March 1887, reversing its earlier pro-tenant attitude, asked the government to take vigorous measures to break up peasant combinations in East Bengal and to make it clear to the peasants that proper rents would have to be paid.[22] The *Amrita Bazar Patrika* of 20 February 1899

19. *RNPBom.*, 8 Oct. 1881.

20. *RNPBeng.*, 29 July 1882. Also see *Som Prakash*, 27 Nov. (*ibid.*, 2 Dec. 1882).

21. *Bengalee*, 19 Feb. 1881; *Som Prakash*, 14 June (*RNPBeng.*, 19 June 1880); *Som Prakash*, 27 Nov. (*ibid.*, 2 Dec. 1882); *Bharat Mihir*, 22 Jan. (*ibid.*, 2 Feb. 1884). Also see f.n. 71 below. It may be noted that the demand for a permanent settlement for the tenant was first raised by Raja Rammohan Roy in 1831. Amit Sen, *Notes on Bengal Renaissance* (Calcutta, 2nd Ed. 1957), p. 12; B. B. Majumdar, *op. cit.*, pp. 67-9. Rammohan Roy's opinion was quoted at length to support its own view by *Som Prakash* in its issue dated 24 July 1882 (*RNPBom.*, 29 July 1882).

22. *RNPBeng.*, 26 March 1887. Also see *Bangabasi*, 16 Dec. (*ibid.*, 23 Dec. 1893).

also claimed that 'the safety of the Empire from famine, agrarian riots and other great evils' depended upon 'the maintenance, and not the destruction, of the rights and privileges of the zamindars'. A year later, on 12 January 1900, the *Patrika* urged the government either to relax its own strictness towards the zamindars or to give them facilities to realise rentals from the ryots. On the other side of the country, the *Kesari* of 18 October 1881 complained that in Satara and several other districts of Bombay the revenue authorities did not give 'the needful assistance to Inamdars to enable them to recover the land revenue assessment from their ryots'.[23] The *Mahratta* of 27 July 1890 bemoaned the pitiable condition in many instances of the zamindars and landlords of the country and criticised the government's attempts to gradually abolish their rights. It advised the landlords to hold together 'for self-preservation, if for nothing else'; and, in particular, suggested to the Deccan landlords the formation of an association of their own. On 9 December 1900 it urged the government to help the inamdars in the collection of the revenue. It may, however, be reiterated here that this desire to preserve the class of landlords and, therefore, to preserve their rights arose to a large extent out of the understanding that they constituted the only natural leadership of the fallen Indian people.[24]

The extent of general nationalist comment on landlord-tenant relations was, however, as pointed out earlier, very meagre, thereby revealing the nationalist leaders' lack of interest in this aspect of agrarian relations rather than revealing their pro-tenant or pro-landlord proclivities. This is also borne out by a study of their attitude towards the tenancy legislation undertaken by the government during 1880-1905. Except for the Bengal Tenancy Act of 1885, they did not evince keen, or even sufficient, interest in any other tenancy enactment.[25]

23. *RNPBom.*, 22 Oct. 1881.

24. See, in particular, *Mahratta*, 27 July 1890; and *ABP*, 20 Feb. 1899.

25. The paucity of available nationalist comment in this respect might, of course, in part be due to the inadequacy of reporting by the Reporters on

II. THE BENGAL TENANCY ACT OF 1885

The Permanent Settlement of 1793 had left the ryots at the mercy of the zamindars. Over 60 years elapsed before the government became aware of the plight of the Bengal tenantry. The Rent Act (Act X) of 1859 enabled ryots who had held the same lands for 12 years to acquire the right of occupancy. Moreover, their rents could not be enhanced except on specific and reasonable grounds provided in the Act. This Act and its amending Act of 1869 could not, however, remove the growing friction between the landlords and tenants. The former continued to have recourse to ejection, frequent shifting of tenants, force, harassments, illegal distraints and exactions, etc., to somehow prevent tenants from acquiring occupancy rights and to enhance rents. At the same time they complained that the rent laws of 1859 and 1869 had made it extremely difficult for them to collect the existing rents and that to enhance them even on legitimate grounds had become nearly impossible.[26] Consequently, Bengal witnessed large scale agrarian conflicts and anti-zamindar riots during the years 1872-6 and the situation threatened to get out of hand any moment.[27] In Bihar the condition of the tenants was even worse and their relations with the zamindars equally ominous.[28] From 1876 onwards, the Government of Bengal and the Government of India made attempts to legislate on the question with a view to maintain the crumbling structure of the Permanent Settle-

the Native Press of the different provinces. However, it is to be kept in view that the nationalist newspapers and journals studied by me in the original as well as the writings and speeches of the prominent nationalist leaders also reveal the same dearth of comment and interest. Moreover, it would be perhaps not wrong to assume that in many cases if the press comments had been vigorous and widespread the Reporters on the Native Press would not have readily ignored them.

26. C. E. Buckland, *Bengal Under the Lieutenant-Governors* (Calc., 1901), Vol. II, pp. 705, 812-3; Ilbert, *LCP*, 1883, Vol. XXII, pp. 77-8; Strachey, *India* (1903), p. 424. For landlord oppression over the ryots, see extracts from official reports reproduced in Parbati Churn Roy, *The Rent Question in Bengal* (Calc., 1883), pp. 122ff.

27. Buckland, *op. cit.*, Vol. I, pp. 544-8, Vol. II, pp. 631-2, 636-8.

28. *Ibid.*, Vol. II, p. 702; Strachey, *India* (1903), pp. 425-6.

ment and to save the Presidency from the threatened agrarian revolution that could very well have proved to be a source of serious political danger to the British rule itself. The remedy was clear: relations between landlords and tenants must be placed on a stable footing. But there was a great deal of hesitation, consultation, and deliberation among the officials as to how to put this remedy into effect. The accepted aims of any effort in this direction were: extension of occupancy to settled cultivators, extension of security, if not fixity, of tenure to all ryots — occupancy or non-occupancy — by preventing undue enhancement of rents, securing of the interests of the zamindars and subordinate tenure-holders by affording them adequate facilities for realisation of rent and by guaranteeing them a fair rent and a fair share of the increased value of the produce of the soil, and the laying down of rules and procedures under which all agrarian disputes would be settled promptly and equitably.[29] But to enact a tenancy law that would embody all these reforms and thus reconcile the tenantry without antagonising the zamindars proved to be a difficult, and in the end an impossible, task. In 1879 the Rent Law Commission investigated the problem in Bengal. The Commission submitted its Report and the draft of a Bill in 1880 which were the subject of detailed official and non-official comment.[30] Next year, a draft Bill, based on the one prepared by the Rent Law Commission but differing from it in many material aspects, was submitted to the Government of India.[31] The latter took nearly two years to make up its mind in consultation with the authorities in England and ultimately introduced its own Bill on the subject in the Imperial Legislative Council in 1883. The five important proposals embodied in the Bill of 1883 were: (1) The right of occupancy was to be conferred on all settled ryots who had held land in the same village or estate for a period of 12 years though the land so held by them at different times during that period might

29. Buckland, *op. cit.*, Vol. II, pp. 704-05, 813.
30. Ilbert, *LCP*, 1883, Vol. XXII, pp. 80-3.
31. *Ibid.*, pp. 84-8.

have been different. Moreover, the onus of disproving the ryot's claim to the right of occupancy was thrown upon the landlord. (2) The right of occupancy was made heritable as well as freely transferable subject to the landlord's right of pre-emption. Occupancy ryots could also sublet their lands without any restriction. (3) In regard to enhancement of rent, it was provided that in no case should the rent paid by an occupancy ryot exceed 1/5th of the gross produce and that no enhancement could at once double the rent or take place except at the interval of ten years. The rent paid by a non-occupancy ryot was not to exceed 5/16th of the gross produce. (4) The non-occupancy ryot, if he were ejected from his holding, was to receive compensation for disturbance. (5) To meet the zamindars' main complaint, a simple and summary procedure for rent suits was provided. Moreover, a provision was made for the distraint and sale of crops through courts. The Bill provided for the intervention of the civil courts or the executive authority to ensure due implementation of nearly all its important clauses.[32]

The Tenancy Bill of 1883 was attacked vehemently by the zamindars, and the government, reeling under this attack, appointed a Select Committee to make changes which would placate and conciliate them. The Committee included two prominent spokesmen of zamindars—Kristodas Pal (later replaced on his death by Piaremohan Mukerjea) and the Maharaja of Darbhanga.[33] It amended the Bill, emasculating it of its pro-ryot bias; and the amended Bill was passed into law in March 1885. In the Tenancy Act of 1885, the scope of acquisition of occupancy was narrowed down to land held by a ryot in the same village only, the provision in the earlier Bill of 1883 regarding land held in the same estate being dropped; the provision of the Bill of 1883 regarding the absolute power to transfer land was withdrawn; the proposed limits on the enhancement of rents of occupancy and non-

32. *Ibid.*, *pp.* 100-26.
33. Buckland, *op. cit.*, Vol. II, p. 809.

occupancy ryots were withdrawn; the clause providing for compensation for disturbance in case of ejectment to the non-occupancy ryot was also struck down. Thus, of the four provisions of the Bill of 1883 which might have been beneficial to the ryot, three were dropped while one relating to the acquisition of the right of occupancy was diluted. The only amendment of the Bill in the opposite direction was a reduction in the amount by which the rent of an occupancy ryot might be enhanced by contract out of court from 6 annas in the rupee to 2 annas in the rupee.[33a] The Tenancy Act of 1885 failed to give any protection to the under-tenant of the occupancy ryot.[34] The admirers of the Act claimed that, even though it made concessions to the landlords, 'the tenant's status, his hold on the land he occupied, and his safeguards against arbitrary dispossessions, were all very materially strengthened by the Act as it was finally settled'.[35] In any case the best proof of its efficacy, in their opinion, was 'the peaceful acceptance by all classes of the principles which underlay it'.[36] To others it seemed that the fear expressed by Florence Nightingale in 1883 that 'there is always the danger that they (zamindars) will get all the proposed Bill will give them, while concessions to the ryots will be lopped off'[37] had proved to be too true.[38]

As was to be expected, the zamindars were in complete opposition to any tenancy legislation that would extend occupancy, make it transferable, and put restrictions on their powers of enhancing rent and ejecting tenants. They claimed that any such legislation would encroach on their proprietary rights, extinguish their time honoured vested rights and violate the compact of 1793. They also maintained that the

33a. *Ibid.*, pp. 811-2; and Act VIII of 1885.

34. See Section 49 of Act VIII of 1885.

35. Lyall, *Life of the Marquis of Dufferin and Ava* (London, 1905), Vol. II, p. 80.

36. Buckland, *op. cit.*, Vol. II, p. 816.

37. *Journal of East India Association*, Vol. XV, No. 3, 1883, p. 191.

38. R. C. Dutt and A. P. MacDonnel, quoted in J. N. Gupta, *op. cit.*, pp. 101-03.

type of legislation contemplated by the authorities would harm the ryots themselves as it would lead to useless litigation and sub-infeudation.

The Indian Association, Surendranath Banerjea—the rising leader of the youthful nationalists of Bengal—and a large majority of the nationalist newspapers of Bengal, on the other hand, adopted a pro-tenant attitude. They justified the government's right to intervene in the tenant-landlord relations, accepted the necessity for such intervention in favour of the tenants, gave general approval to the various draft tenancy Bills brought forward during 1880 to 1883—even though many of them thought that the Bills did not go far enough in protecting the tenants—and opposed the zamindars' agitation against these Bills.[39] The younger and the more advanced section of the national leadership in Bengal went beyond expressing mere approval of the official legislation. Many of them

39. Indian Association's Memorandum, dated 27 June 1881, reproduced in Bagal, *op. cit.*, App. pp. I, II, XIV; Report of the Indian Association for 1879-80, quoted in *Brahmo Public Opinion*, 25 Aug. 1881; Indian Association's Memorandum, dated 29 Oct. 1883, *Report of the Indian Association* for 1883, pp. 15 ff; S. N. Banerjea, *Speeches II*, pp. 6-11; *Brahmo Public Opinion*, 28 Oct., 9, 16 Dec. 1880, 19 May, 16 June, 18 Aug. 1881; *Bengalee*, 24 July, 14, 21 Aug., 4 Sept., 9 Oct., 13 Nov., 11, 18 Dec. 1880, 8, 15, 29 Jan., 3 Feb., 17, 24, 31 March, 7 Apr., 1 Nov. 1884; *Samalochak*, 27 Feb. (*RNPBeng.*, 6 March 1880); *Som Prakash*, 9 Aug. (*ibid.*, 14 Aug. 1880); *Sadharani*, 15 Aug. (*ibid.*, 21 Aug. 1880); *Navavibhakar*, 10 Jan. (*ibid.*, 22 Jan. 1881); *Paridarshak*, 6 Feb. (*ibid.*, 19 Feb. 1881); *Sadharani*, 13 March (*ibid.*, 26 March 1881); *Sudhakar*, 14 May (*ibid.*, 21 May 1881); *Bangabasi*, 11 Nov. (*ibid.*, 18 Nov. 1882); *Sadharani*, 24 Dec. (*ibid.*, 30 Dec. 1882); *Indian Mirror*, 31 March (*VOI*, Apr. 1883); *Brahmo Public Opinion*, 9, 16, 23 Apr. (*ibid.*, May 1883), and 5, 21 July (*ibid.*, July 1883); *Bangabasi*, 7 July, *Bharat Mihir*, 17 July, *Pratinidhi*, 12 July, *Sadharani*, 24 June, *Gramvarta Prakashika*, 14 July, *Sanjivani*, 7 July (*ibid.*, July 1883); *Sahas*, 23 July, *Nabya Bharat*, 30 July (*ibid.*, Aug. 1883); *Sahachar*, 28 March (*RNPBeng.*, 31 March 1883); *Bharat Bandhu*, 31 March, *Prabhati*, 3 Apr. (*ibid.*, 7 Apr. 1883); *Sadharani*, 15 July (*ibid.*, 28 July 1883); *Sanjivani*, 11 Aug., *Bangabasi*, 11 Aug. (*ibid.*, 25 Aug. 1883); *Samaya*, 10 Sept., *Alok*, 14 Sept. (*ibid.*, 22 Sept. 1883); *Habeshahar Prakashika*, 3 Nov. (*ibid.*, 17 Nov. 1883); *Gramvarta Prakashika*, 10 Nov. (*ibid.*, 24 Nov. 1883); *Burdwan Sanjivani*, 4 Dec., *Shakti*, 7 Dec., *Praja Bandhu*, 4 Dec. (*ibid.*, 8 Dec. 1883); *Bharat Mihir*, 11 Dec. (*ibid.*, 22 Dec. 1883); *Bengal Public Opinion*, 20 Dec. 1883 (*VOI*, 15 Jan. 1884); *Indian Nation*, 7 Jan. (*ibid.*, 31 Jan. 1884); *Bengal Public Opinion*, 10 Apr. (*ibid.*, 30 Apr. 1884); *Sanjivani*, 16 Feb. (*RNPBeng.*, 23 Feb. 1884); *Gramvarta Prakasika*, 16 Feb., *Pratikar*, 22 Feb. (*ibid.*, 1 March 1884).

vigorously championed the ryots' cause and exhorted the educated men and the political associations and leaders of Bengal to give tongue to the interests of the silent peasantry and to counter the powerful agitation by the zamindars. For example, the *Bengalee* of 18 December 1880 wrote:

> We have our associations, which seek to represent the interests of the dumb peasantry of this country. We know not whether a nobler opportunity for duty and patriotic exertion will ever present itself in the course of the next 50 years than what has now occurred. The time has indeed come when these associations must vindicate their usefulness and justify their existence.... The dumb peasantry of Bengal, the ignorant millions of this country know not what is passing around them.... It is for their friends to give them a voice, to speak in their name, and to act in their behalf.... The time for pompous rhetoric has passed by. What is wanted now is that earnest-minded men deeply sympathising with the ryot and anxious to improve his lot should go about from district to district calling public meetings and getting up demonstrations in his favour... he who serves faithfully the humble peasant in his lowly cottage truly serves the nation at large.[40]

In fact, the *Bengalee* claimed, in its issue dated 3 January 1880, to be an organ of the Bengal ryots; and the Indian Association came forward to fulfil 'the solemn duty' of acting as the spokesman of their 'wants and grievances'.[41] The Indian

40. Similarly, it asserted in its issue dated 19 February 1881: 'Who constitute the nation? The few hundred members of the British Indian Association? Or the few thousand zamindars to be found in the mofussil? Or the few hundred thousand people of Calcutta...? The nation dwells in the cottage.... It is the dumb peasantry of Bengal that indeed constitutes the nation.' For similar other exhortations see *Bengalee*, 14 Aug., 13 Nov. 1880, 15 Jan. 1881; *Brahmo Public Opinion*, 9 Dec. 1880, 25 Aug. 1881; S. N. Banerjea, *Speeches II*, pp. 1-3, 20; *Sadharani*, 15 July (RNPBeng., 28 July 1883); *Sanjivani*, 11 Aug. (*ibid.*, 25 Aug. 1883); *Bengal Public Opinion*, 20 Dec. 1883 (VOI, 15 Jan. 1884).

41. Fourth Annual Report of the Indian Association for 1879-80, quoted in *Brahmo Public Opinion*, 25 Aug. 1881. It was in this capacity of a representative of the ryots that the Association submitted to the Bengal Government a memorandum on tenancy legislation on 27 June 1881 (re-

Association and several individuals like Dwarkanath Ganguli, Krishna Kumar Mitra, and Ranglal Mukerjea also undertook the task of organising the ryots themselves to agitate for their own demands. The agents of the Association and other sympathisers of the ryots went into the rural areas of Bengal and organised during 1880, 1881, and 1885 innumerable peasant demonstrations and mass meetings, some of them attended by as many as 10 to 20 thousand ryots and addressed by orators like Surendranath Banerjea, Anand Mohan Bose, and Dwarkanath Ganguli.[42] In several places rent unions and ryots unions were also formed.[43] In fact, the Indian Association tried to utilise these unions to expand its own network of branches and to spread its political work in the countryside.[44]

The Bengal Tenancy Bill of 1883 also got the support of many prominent nationalist leaders from other parts of the country. In particular, the editorials, penned either by B. G. Tilak or G. G. Agarkar, which appeared in support of the Bill in the *Mahratta* during 1883, deserve to be quoted at length as showing early symptoms of a radical agrarian outlook in the ranks of the Indian national leadership. Praising the Bill as a great measure 'in point of deep political foresight and enlightened love of humanity,' the editorial in the issue dated 14 October 1883 declared it to be 'a small beginning of that equal distribution of physical comforts, which the advancing world... seems to be destined to possess at some remote date.'

produced in Bagal, *op. cit.*, as Appendix A), and another on 29 Oct. 1883 (*Annual Report of the Indian Association for 1883*, pp. 15 ff.).

42. Bagal, *op. cit.*, pp. 50, 53-4, 70-1, 90, and Appendix p. 1; *Bengalee*, 8 Jan., 5, 12 Feb., 2 Apr., 14, 28 May 1881; *Brahmo Public Opinion*, 20 Jan., 10 Feb. 1881; Fifth Annual Report of the Indian Association, quoted in *Bengalee*, 4 March 1882; *ABP*, 25 June 1885.

43. Bagal, *op. cit.*, pp. 53-4, 71; *ABP*, 25 June 1885.

44. Bagal, *op. cit.*, pp. 72-3, 78. The Annual Report of the Indian Association for 1885 stated in this context: 'At present the Association is actively engaged in forming village organisations; for, to invest our political demonstration with the reality of power, they must be supported by the great body of people. It is too often brought forward as a matter of reproach that our political agitation is confined to a few educated Babus. The Association is resolved to wipe off this reproach...' (quoted in *ibid.*, p. 90). Also see *Bengalee*, 4 March 1882.

Asking the government to stand firm in its 'righteous work', the editorial advised: 'Interested parties will try to cry down a noble measure, but a far-sighted statesman should not yield to the threatening attitude assumed by the losers of power, wealth and patronage.' It pointed out that even if the zamindars had 'held these proprietary rights from the beginnings of the world' they would have to be modified to suit 'the march of time'. Moreover, the government was bound to maintain the vested rights of the zamindars only so long as they might be compatible with the general welfare of the society. 'When that is threatened modifications of the sacred rights must be made.... When circumstances are ripe for them, changes will find their way into society and force themselves upon it, whether some of its members do or do not will to welcome them.' The *Mahratta* dealt with the objections raised by the zamindars in the editorial dated 21 October 1883. Replying to their assertion that the time was not yet ripe for tenancy legislation, the editorial remarked that 'those who are immediate losers can never concede that the time ever comes for circumscribing their privileges'. Having described the hard lot of the agriculturists all over the world, the writer observed:

> Whatever were the primary causes, whether superiority in the field or superiority in the court, that fastened crushing hard work and slavery on the one section of society and gave perfect leisure and exemption from manual work to the other, it is now perfectly clear that the tendencies of modern civilisation, and the growing sense of equality would not permit those unequal and unjust relations between them to subsist for long. The day of re-arrangement must come sooner or later and we must be prepared to welcome it without grudging and grumbling.

Left to himself, the writer declared, he would have brought forward a more radical measure according to which the zamindars would be compelled to grant a permanent settlement to their tenants. On 18 November 1883 again, the *Mahratta* adopted a highly moral tone and declared that the question

on which the entire controversy over the Bill turned was 'whether we are willing to have a small class of lazy, and profligate idlers, enjoying and squandering the fruit of other men's labour and perfectly indifferent whether they die of cold or starve for want of food.' On 6 January 1884, it warned the zamindars that even though they possessed 'money and consequently influence' and the ryots, on the other hand, were 'poor, weak, and voiceless', the latter would not continue to be so for long and, if the zamindars did not make timely concessions, 'the crash, whenever it may come, will come with the strongest force, and crush the zamindars altogether'.[45] Similar anti-zamindar and pro-Tenancy Bill sentiments were expressed by the *Indian Spectator* of 25 March 1883[46] and the *Native Opinion* of 25 March and 1 April 1883.[47] Several other papers from outside Bengal also supported the Bill.[48] It may be noted that even though Justice Ranade opposed the Bengal tenancy legislation, on grounds which are discussed below in another section, he fully acknowledged the urgent need for remedial legislation to help the tenantry and also justified the government's right to undertake such legislation in spite of the Regulations of 1793.[49] It may also be pointed out that, as an official, R. C. Dutt extended full support to Ashley Eden's proposals for the extension of tenant-rights in Bengal.[50]

A section of the national leadership in Bengal and Bihar, however, adopted the point of view of zamindars and opposed the Tenancy Bills of 1881 and 1883, the opposition being

45. Also see *Mahratta*, 10 Apr., 7 Sept. 1884.

46. *VOI*, March 1883, and *RNPBom.*, 31 March 1883. Also see *Indian Spectator*, 24 July (*RNPBom.*, 30 July 1881), and 1 Apr. and 1 July (*VOI*, April and July 1883).

47. The *Native Opinion*, however, reversed its stand later and started opposing the Bill. See its issue dated 11 Nov. 1883.

48. *Bombay Chronicle*, 25 Feb. (*VOI*, March 1883); *Tribune*, 7 Apr. (*ibid.*, Apr. 1883); *Rast Goftar*, 4 Nov. (*ibid.*, Nov. 1883); *Jame Jamshed*, 20 Dec. 1883; *Bombay Chronicle*, 30 Dec. 1883; *Gujarati Samachar*, 1 Jan. (*ibid.*, 15 Jan. 1884); *Kesari*, 16 March (*ibid.*, March 1885).

49. Ranade, *Essays*, pp. 275-7.

50. Dutt, *Speeches II*, p. 170; and cited in J. N. Gupta, *op. cit.*, pp. 50, 98-103.

expressed openly in some of the cases.[51] The *Amrita Bazar Patrika* and its Bengali counterpart, the *Ananda Bazar Patrika*, also adopted an attitude of general opposition to tenancy legislation but on different grounds. Sometimes, they advanced the paternalistic argument, which was in effect pro-zamindar, that any legislative interference would spoil the 'friendly' and harmonious' relations between the zamindars and the ryots. This argument was put forward by the *Amrita Bazar Patrika*, with a great deal of hesitation and hedging, in its issue dated 8 January 1885:

> Our principle on the subject of the landlord and tenant is this. Let the rights of the tenants as regards their holdings be clearly and satisfactorily defined so that they may be protected against attempts at encroachment on them. But at the same time, let not the ties of the fine and social sympathies which bind the two and which time has sanctioned be ruthlessly disturbed. In short, let the landlords be placed in a position in which they may not oppress the tenants, but, at the same time, let not the tenants be encouraged to set them at nought and defy them in matters of social delicacies. *Let the interest of the one be to love the other, and the interest of the other to respect him.*[52] (Emphasis added).

Sometimes, they also felt that any attack upon the Bengal zamindars was an attack upon the only leading and prosperous

51. For example, *Bharat Mihir*, 17 Aug., *Dacca Prakash*, 22 Aug. (RNP *Beng.*, 28 Aug. 1880); *Bharat Mihir*, 14 Sept. (*ibid.*, 25 Sept. 1880); *Behar Bandhu*, 9, 16, 23 Sept. (*ibid.*, 2 Oct. 1880); *Som Prakash*, 3 Jan. (*ibid.*, 8 Jan. 1881); *Dacca Prakash*, 16 Jan. (*ibid.*, 22 Jan. 1881); *Behar Herald*, 13 March (VOI, March 1883); *Indian Chronicle*, 21, 28 May, *Liberal*, 3, 10, 17 June (*ibid.*, June 1883); *Charu Varta*, 2, 9 July (*ibid.*, July 1883); *Utkal Dipika*, 30 Dec. 1882 (RNP*Beng.*, 20 Jan. 1883); *Utkal Darpan*, 21 Jan. (*ibid.*, 10 Feb. 1883); *Charu Varta*, 5 Feb. (*ibid.*, 17 Feb. 1883); *Som Prakash*, 27 Aug. (*ibid.*, 1 Sept. 1883), 10 Sept. (*ibid.*, 22 Sept. 1883); *Dacca Prakash*, 11 Nov. (*ibid.*, 17 Nov. 1883); *Indian Chronicle*, 22, 29 Dec. 1884 (VOI, Jan. 1885); *Navavibhakar*, 9 March (RNP*Beng.*, 14 March 1885); V. N. Mandlik, *Speeches*, pp. 636-7, 640-1, 645.

52. VOI, Jan. 1885. Also see ABP, 3 March 1880, 7 Dec. 1882, 19 March 1885; *Ananda Bazar Patrika*, 23 Aug. (RNP*Beng.*, 4 Sept. 1880), 12 Feb. (*ibid.*, 17 Feb. 1883). Also see *Kavivachan Sudha*, 26 March (RNPPN, 5 Apr. 1883). It is to be noted that this was also one of the grounds for Ranade's

class left in the country.[53] But in the main their opposition sprang from the belief that all the proposed measures completely ignored the interests of the middlemen between the zamindars and the cultivators, i.e., of the intermediate tenants or landlords.[54]

It may be noted, however, that when the zamindars made an attempt to seek the support of Englishmen in Bengal, who were at the time carrying on a virulent agitation against the Ilbert Bill, even the *Amrita Bazar Patrika* and several other pro-zamindar nationalist papers joined hands with the anti-zamindar papers in condemning their action and describing it as a base treachery and a betrayal of their country.[55]

The arguments advanced by the nationalist newspapers and leaders of the time in favour of or against the proposed tenancy legislation differed depending on whether their sympathies lay with the zamindars, the middlemen, or the tenants.

The pro-zamindar nationalist newspapers opposed the provisions regarding the extension of occupancy rights,[56] the transferability of occupancy,[57] the imposition of restrictions on

attack of the Tenancy Bill of 1883. Ranade feared that the Bill provided for too much executive interference in the relations between one class and another and that the result would be that 'class will be set against class' (*Essays*, p. 276). Also see pp. 283-4.

53. *ABP*, 22 Nov. 1883; *Ananda Bazar Patrika*, 30 June (*RNPBeng.*, 5 July 1883), and 21 July (*ibid.*, 26 July 1881). Also see, *Shivaji*, 8 Feb. (*VOI*, 15 Feb. 1884).

54. *ABP*, 10 March 1881, 21 Feb. 1884, 19 March 1885; *Ananda Bazar Patrika*, 14 March (*RNPBeng.*, 26 March 1881), undated (*VOI*, Feb. 1883) and cited in f.n.'s 61-3 below.

55. *ABP*, 22, 29 Nov. 1883; *Brahmo Public Opinion*, 29 Nov., 6, 13 Dec. (*VOI*, Dec. 1883); *Bengalee*, 24 Nov., 15 Dec. 1883; *Samaya*, 26 Nov., *Ananda Bazar Patrika*, 26 Nov. (*RNPBeng.*, 1 Dec. 1883); *Navavibhakar*, 3 Dec. (*ibid.*, 8 Dec. 1883); *Bharat Mihir*, 11 Dec. (*ibid.*, 22 Dec. 1883); *Indian Spectator*, 2 Dec., *Liberal*, 25 Nov., *Indian Mirror*, 27 Nov., 13 Dec., *Indian Echo*, 27 Nov., *Bharat Mihir*, 27 Nov., *Navavibhakar*, 26 Nov. (*VOI*, Dec. 1883); *Mahratta* and *Gujarati Mitra*, 23 Dec. 1883 (*ibid.*, 15 Jan. 1884).

56. A correspondent in *Navavibhakar*, 30 Aug. (*RNPBeng.*, 4 Sept. 1880); *Bharat Mihir*, 21 Dec. 1880 (*ibid.*, 1 Jan. 1881); *Behar Herald*, 27 March, 3 Apr. (*VOI*, Apr. 1883); *Indian Chronicle*, 21, 28 May (*ibid.*, May, 1883); *Indian Chronicle*, 21 Jan., 4 Feb., *Behar Herald*, 29 Jan. (*ibid.*, 15 Feb. 1884); *Sadharani*, 7 Dec. (*RNPBeng.*, 13 Dec. 1884).

57. *Dacca Prakash*, 16 Jan. (*RNPBeng.*, 22 Jan. 1881); *Behar Herald*, 12 and 19 Feb. (*VOI*, 29 Feb. 1884).

enhancement of rent,[58] and the grant of compensation to non-occupancy ryots in case of ejectment.[59] They asked for the fixation of a higher maximum in case the rent was limited.[60]

A group of nationalist newspapers consciously championed the interests of the middlemen or intermediaries, like the taluqdars, jotedars, etc. The *Amrita Bazar Patrika*, for example, openly pleaded for recognition of and improvement in the rights of the middlemen whom it described as the 'pith and marrow of the Bengalee society'.[60a] The *Ananda Bazar Patrika* argued that the rights which the government proposed to confer on all ryots might with better advantage be conferred on the intermediate tenants who were 'remarkably free from the faults that are found both in the zamindar and the ryot', who were better men than zamindars and would take more direct and deeper interest in land than the latter, who were wealthier and better educated than the ordinary ryot and were, therefore, better able to improve land and use scientific methods of agriculture, who were strong enough to resist the oppression of the zamindars, and, at the same time, who would not oppress the ryots as they would deal with the ryots directly and not through peons, *naibs*, *dewans*, etc.[61] It, therefore, opposed the Tenancy Bill of 1883 once it was convinced that the Bill went against the interests of the intermediate tenants.[62] It also observed

58. *Behar Bandhu*, 9, 16, 23 Sept. (RNPBeng., 2 Oct. 1880); *Hindu Ranjika*, 8 Dec., *Dacca Prakash*, 12 Dec. (*ibid.*, 18 Dec. 1880); *Bharat Mihir*, 21 Dec. 1880 (*ibid.*, 1 Jan. 1881); *Som Prakash*, 9 March (*ibid.*, 14 March 1885).

59. A correspondent in *Navavibhakar*, 30 Aug. (RNPBeng., 4 Sept. 1880); *Bharat Mihir*, 7 Sept. (*ibid.*, 18 Sept. 1880); *Utkala Dipika*, 23 June (*ibid.*, 7 July 1883); *Behar Herald*, 8, 15 Apr. (VOI, 30 Apr. 1884); *Sadharani*, 7 Dec. (RNPBeng., 13 Dec. 1884).

60. *Behar Herald*, 27 March, 3 Apr. (VOI, Apr. 1883); *Indian Chronicle*, 30 July (*ibid.*, Aug. 1883); *Behar Herald*, 11, 18 March (*ibid.*, 31 March 1884).

60a. *ABP*, 3 and 10 March 1881, 21, 28 Feb. and 6 Nov. 1884, and 19 March 1885. It also pointed out in its issue dated 3 March 1881 that the middle man of rural Bengal was in fact the Baboo who passed examinations and who 'writes, reads and howls'.

61. *Ananda Bazar Patrika*, 12, 19, 26 Feb. (RNPBeng., 17, 24 Feb., 3 March 1883, and VOI, Feb. 1883), and 23 July (VOI, Aug. 1883).

62. *Ananda Bazar Patrika*, 5, 19 Nov. (RNPBeng., 10, 24 Nov. 1883), 10 March, 18 Aug., 22 Sept. (*ibid.*, 15 March, 23 Aug., 27 Sept. 1884), 3 Aug. (*ibid.*, 8 Aug. 1885).

that socially and politically the intermediaries constituted the most important class in Bengal since most of the Bengali middle class, namely, students, lawyers, clerks, and postal and police officials, were recruited from it and since this class formed the backbone of the movement for self-government.[63] The *Bengalee* of 17 March 1883 also favoured the strengthening of the rights of 'the backbone of native Indian society', though it was of the opinion that the Tenancy Bill already did so. The *Bangabasi*, the *Navavibhakar*, the *Bharat Mihir*, and the *Sadharani* also favoured the extension of the middlemen's rights.[64]

Those Indian leaders who took up the tenants' cause supported those provisions of the Tenancy Bill which aimed at extending the tenant-rights, pleaded for the further strengthening of these rights, and criticised those features which they considered inimical to the interests of the tenants. Firstly, they approved of the provisions which extended the right of occupancy on a broad and permanent basis[65] and demanded even greater facilities in the direction.[66] Secondly, they fully supported the provision making the right of occupancy inheritable and transferable.[67] Thirdly, they supported the proposed res-

63. *Ananda Bazar Patrika*, 26 Feb. (*RNPBeng.*, 3 March 1883), 10 March, 18 Aug. (*ibid.*, 15 March, 18 Aug. 1884). Also see *Navavibhakar*, 17 Nov. (*ibid.*, 22 Nov. 1884).

64. *Bangabasi*, 17 Nov. (*RNPBeng.*, 24 Nov. 1883); *Bharat Mihir*, 20 Nov., 11 Dec. (*ibid.*, 1, 22 Dec. 1883); *Navavibhakar*, 25 Feb., 17 Nov. (*ibid.*, 1 March, 22 Nov. 1884); *Sadharani*, 25 May (*ibid.*, 31 May 1884).

65. *Bengalee*, 24 July, 18 Dec. 1880, 8 Jan. 1881, 24, 31 March, 7 Apr. 1883, 22, 29 Nov. 1884; Memorandum of the Indian Association, dated 27 June 1881, *loc. cit.*, Memorandum of the Indian Association, dated 29 Oct. 1883, *loc. cit.*; *Sadharani*, 24 Dec. (*RNPBom.*, 30 Dec. 1882); *Mahratta*, 15 Apr. 1883; *Indian Mirror*, 31 March (*VOI*, Apr. 1883); *Indian Nation*, 22 Oct. (*ibid.*, Nov. 1883); *Samaya*, 10 Sept. (*RNPBeng.*, 22 Sept. 1883); *Sanjivani*, 10 Nov. (*ibid.*, 17 Nov. 1883); *Indian Nation*, 7 Jan. (*VOI*, 31 Jan. 1884); *Gramvarta Prakashika*, 16 Feb. (*RNPBeng.*, 1 March 1884); *Sanjivani*, 3 May (*ibid.*, 10 May 1884); S. N. Banerjea, *Speeches* II, p. 15.

66. *Bengalee*, 15 Jan. 1881; Memorandum of the Indian Association, dated 27 June 1881, *loc. cit.*; Proceedings of a tenants' meeting held in Wellington Square, Calcutta under the auspices of the Indian Association, *Bengalee*, 2 Apr. 1881.

67. *Brahmo Public Opinion*, 6 Feb. 1879, 16 Dec. 1880; *Bengalee*, 24 July 1880, 12 Feb. 1881, 31 March, 29 Sept. 1883, 22 Nov. 1884; Memorandums of Indian Association, dated 27 June 1881, 29 Oct. 1883, *loc. cit.*; *Burdwan Sanjivani*, 2 March (*RNPBeng.*, 13 March 1880); *Sadharani*, 24 Dec. (*ibid.*, 30

trictions on the landlord's right to enhance rent.[68] Many of them felt, however, that the restrictions were not adequate and that the maximum limit of enhancement had been fixed too high.[69] Some of them demanded that no enhancement should be permitted when the zamindar had no share in bringing about improvement in land.[70] Some others even demanded a permanent settlement of rent between the zamindar and the tenant.[71] Fourthly, they favoured the proposal for payment of compensation to the non-occupancy ryot in case of ejectment by the landlord.[72] Some of them proposed that there should be no distinction between occupancy and non-occupancy ryots regarding the rates of rent and their enhancement.[73] Fifthly,

Dec. 1882): *Bharat Mihir*, 17 July (*VOI*, July 1883); *Indian Nation*, 22 Oct., 26 Nov. (*ibid.*, Nov., Dec. 1883); *Indian Echo*, 8 Feb., *Indian Nation*, 11 Feb. (*ibid.*, 29 Feb. 1884). *The Bengal Public Opinion* of 21 Feb. 1884 even objected to the right of pre-emption sought to be given to the zamindars by the Tenancy Bill of 1884 (*VOI*, 15 March 1884).

68. S. N. Banerjea, *Speeches II*, p. 17; *Bengalee*, 14, 21 Aug., 4, 25 Sept., 13 Nov. 1880, 29 Jan., 5 Feb. 1881, 1, 22, 29 Nov. 1884; *Brahmo Public Opinion*, 20 Jan. 1881; Memorandum of the Indian Association, dated 27 June 1881, *loc. cit.*; Memorandum of the Indian Association, dated 29 Oct. 1883, *loc. cit.*; *Sar Sudhanidhi*, 12 March (*RNPBeng.*, 17 March 1883); *Sahachar*, 14 Jan., *Navavibhakar*, 19 Jan. (*ibid.*, 24 Jan. 1885); *Prabhati*, 10 Feb. (*ibid.*, 14 Feb. 1885); *Native Opinion*, 1 Apr. 1883; *Mahratta*, 15 Apr. 1883, 20 Apr. 1884; *Indian Nation*, 7 Jan., 24 Nov. (*VOI*, 31 Jan., Dec. 1884).

69. *Brahmo Public Opinion*, 27 Jan. and 11 Aug. 1881; *Bengalee*, 22 Jan. 1881; Memorandum of the Indian Association, dated 27 June 1881, *loc. cit.*; Memorandum of the Indian Association, dated 29 Oct. 1883, *loc. cit.*; *Bengal Public Opinion*, 23 Aug. and 6 Sept. (*VOI*, *Sept.* 1883); *Gramvarta Prakasika*, 10 Nov. (*RNPBeng.*, 24 Nov. 1883); *Prajabandhu*, 6 Feb. (*ibid.*, 14 Feb. 1885).

70. *Indian Nation*, 24 Nov. (*VOI*, Dec. 1884); *Samaya*, 1, 22 Dec. (*RNPBeng.*, 6, 27 Dec. 1884).

71. *Som Prakash*, 9 Aug. (*RNPBeng.*, 14 Aug. 1880); *Bengalee*, 19 Feb. 1881; *Bengal Public Opinion*, 10 Jan. (*VOI*, 31 Jan. 1884); *Gramvarta Prakasika*, 16 Feb. (*RNPBeng.*, 1 March 1884); *Prajabandhu*, 6 Feb. (*ibid.*, 14 Feb. 1885). The Indian Association demanded that the rents once enhanced should be declared to be fixed for at least a period of 30 years (Memorandum, dated 27 June 1881, *loc. cit.*). The *Gramvarta Prakasika* of 17 Jan. 1885 and the *Samaya* of 19 Jan. 1885 also demanded that the government should settle revenue directly with the ryot so that he would feel that he was the real owner of land while the zamindar was a mere collector of revenue (*RNPBeng.*, 24 Jan. 1885).

72. *Bengalee*, 7 Apr. 1883, 12 Apr., 1, 29 Nov. 1884; *Mahratta*, 15 Apr. 1883; Memorandum of the Indian Association, dated 29 Oct. 1883, *loc. cit.*

73. *Indian Nation*, 24 Nov., *Indian Echo*, 19 Dec. (*VOI*, *Dec.* 1884); *Samaya*, 24 Nov. (*RNPBeng.*, 29 Nov. 1884).

they felt that while some facilities for easier recovery of rent were in justice due to the zamindars,[74] the continuation of any provision for the distraint of crops would act as a powerful instrument of oppression in their hands.[75]

This section of the national leadership adopted a sharply critical, and one might even say an almost modern, attitude towards one particular feature of the Tenancy Bill of 1883, namely, that it did nothing to check the spread of sub-infeudation and to protect the under-tenants of the occupancy ryots. In view of the shape that the affairs took in rural Bengal later on,[76] this criticism acquires additional historical importance and is, therefore, examined below at some length.

These leaders pointed out that in the absence of any provisions for the due protection of the actual tillers of the soil, the various provisions of the Bill of 1883 extending the right of occupancy, making that right transferable and permitting leasing out of land, combined with the improper definition of the term 'ryot', would only lead to the large-scale growth of the class of middlemen, who were as a rule more given to oppression and rack-renting than the zamindars, while the overwhelming majority of the actual cultivators would remain mere under-ryots—without rights and utterly defenceless.[77]

74. *Brahmo Public Opinion*, 30 Jan. 1879; Memorandum of the Indian Association, dated 29 Oct. 1883, *loc. cit.*; *Bengalee*, 1 Nov., 6 Dec. 1884.

75. *Bengalee*, 24 July, 18 Dec. 1880, 12 Feb. 1881, 12 Apr., 6 Dec. 1884; Memorandums of the Indian Association, dated 27 June 1881 and 29 Oct. 1883, *loc. cit.*

76. Cf. A. Mitra, *Census of India*, 1951, Vol. VI (West Bengal, Sikkim and Chandernagore), Part 1A—Report (Delhi, 1953), p. 454: 'Although these legislations (Tenancy Acts of 1859 and 1885) were designed to protect the cultivator from rack-renting and ejectment, their real effect in practice resulted in safeguarding only the rural middle class and the jotedar *at the cost of not the landlord* but the tiller. The beneficiary has been the same middle class and the rich peasantry which emerged out of the ruin of the decadent landlords and founded themselves on a large and ever-widening grinding of sharecroppers and landless agricultural labourers. The wooing of this class became the historic necessity of the Government in the present as well as the last century.'

77. *Bengalee*, 31 March, 30 June, 15, 29 Sept., 27 Oct. 1883, 29 Nov. 1884; Memorandum of the Indian Association, dated 29 Oct. 1883, *loc. cit.*;

They therefore demanded that the growth of this new class must be checked. But how was this to be done? It is to be noted in this context that the zamindars were opposed to the provision regarding the right of transfer of occupancy on the ground that it would lead to the transfer of land into the hands of moneylenders-middlemen. But the group of leaders whose views we are examining here were opposed to the middlemen from the point of view not of the landlords but of the ryots. They therefore refused to adopt the position assumed by the landlords and, on the contrary, favoured transferability of occupancy on the ground that it helped the ryots. At the same time, with a view to check the resultant growth of middlemen and discourage subletting, they suggested other remedies which were simultaneously pro-ryot and anti-zamindar, anti-middleman, and anti-moneylender. The remedy that found the widest favour with them was that the right of occupancy should go with actual cultivation and should, therefore, be conferred on the actual cultivator of the soil and not on the nominal owner of the right of occupancy. Moreover, whenever the holder of an occupancy right sublet the whole or a portion of his holding for a certain period, he should lose his right of occupancy with respect to that portion, and the sublessee should instead get that right.[78] The *Sanjivani* of 10 November 1883 and *Navavibhakar* of 12 November 1883 advised a legal ban on under-letting.[79] The latter defined, quite precociously, a self-cultivating ryot as follows: 'Will it not be better to rule that those who will not cultivate land with their own hands or by means of servants, or will not directly participate in the

Navavibhakar, 12 Nov. (*RNPBeng.*, 17 Nov. 1883); *Sanjivani*, 17 Nov. (*ibid.*, 24 Nov. 1883); *Bengal Public Opinion*, 7 Feb. (*VOI*, 29 Feb. 1884); *Samaya*, 24 Dec. 1883 (*RNPBeng.*, 5 Jan. 1884); *Sanjivani*, 19 Apr. (*ibid.*, 26 Apr. 1884).

78. Memorandum of the Indian Association, dated 27 June 1883, *loc. cit.*; *Bengalee*, 29 Sept. 1883; *Navavibhakar*, 12 Nov. (*RNPBeng.*, 17 Nov. 1883); *Sanjivani*, 17 Nov. (*ibid.*, 24 Nov. 1883); *Bengal Public Opinion*, 7 Feb. (*VOI*, 29 Feb. 1884); *Samaya*, 24 Dec. 1883 (*RNPBeng.*, 5 Jan. 1884), 3 Nov. (*ibid.*, 8 Nov. 1884). The *Samaya* of 3 Nov. 1884 also proposed that a rule should be made prohibiting the transfer of occupancy right to any one who was not a cultivator himself.

79. *RNPBeng.*, 17 Nov. 1883.

profit and loss of cultivation, will not be deemed ryots, and consequently will not be able to acquire the occupancy rights?' The *Bengalee* of 13 March 1883 anticipated the present-day proposals for a ceiling on land-holding by recommending that 'no tenant should be allowed to have in his possession more land than what his resources would enable him to cultivate properly and regularly'. Lastly, some of the pro-ryot newspapers proposed that the margin of difference between the rents payable by an occupancy ryot and his under-ryot should be made so narrow that no occupancy ryot would find it profitable to lease out his land.[80]

As the Select Committee of 1884 and the Government of India whittled down the three main principles of the Tenancy Bill of 1883, namely, fixity of tenure, fair rent, and right of free sale, the pro-ryot national leaders carried on an angry agitation against the changes. They criticised the government for 'betraying' the interests of the peasantry and amending the Bill in the interests of the zamindars and, in particular, protested against the watering down of the provisions regarding acquisition of the right of occupancy and its transfer and abandonment of the clauses limiting the enhancement of rent and providing compensation for disturbance in case of ejectment.[81] Some of them went to the extent of opposing, and asking for the postponement of, the passage of the amended Bill which, they felt, was not only unsatisfactory from the ryot's point of view but highly prejudicial to his interests.[82] In the end, however, most

80. *Bengal Public Opinion*, 7 Feb. (*VOI*, 29 Feb. 1884); *Bengalee*, 29 Nov. 1884; *Indian Echo*, 19 Dec. (*VOI*, Dec. 1884).

81. Memorandum of the Indian Association, 1885, reproduced in *Bengalee*, 28 Feb. 1885; *Bengalee*, 21 Feb., 14 March 1885; *Mahratta*, 1 March 1885; *Indian Nation*, 21 Apr. (*VOI*, May 1884); *Gramvarta Prakasika*, 3 May (*RNPBeng.*, 10 May 1884); *Sadharani*, 21 Sept. (*ibid.*, 27 Sept. 1884); *Samaya*, 22 Dec. (*ibid.*, 27 Dec. 1884); *Indian Echo*, 6 March, *Sanjivani*, 14 March, *Sadharani*, 15 March (*VOI*, March 1885); *Prabhati*, 18 Feb. (*RNPBeng.*, 21 Feb. 1885); *Prajabandhu*, 20 Feb., *Samaya*, 23 Feb. (*ibid.*, 28 Feb. 1885); *Pratikar*, 27 Feb., *Sanjivani*, 28 Feb. (*ibid.*, 7 March 1885); *Sadharani*, 8 March (*ibid.*, 14 March 1885); *Sadharani*, 15 March (*ibid.*, 21 March 1885); *Sahachar*, 18 March (*ibid.*, 28 March 1885); *Ananda Bazar Patrika*, 3 Aug. (*ibid.*, 11 July 1885).

82. *Bengalee*, 28 Feb. 1885; *Mahratta*, 1 March 1885; *Indian Echo*, 6 March,

of the pro-tenant critics of the Bill swung round to its support in the belief that something was better than nothing.[83] Moreover, many of them must have felt that, as the *Sadharani* of 5 July 1885 put it, 'though the Tenancy Act is not satisfactory, the main principle underlying it is favourable to the ryots, and will thus serve as a foundation for future agitation for new rights on the part of the ryots.'[84] It has, however, to be noted —with surprise perhaps—that no such agitation actually arose in Bengal during the period of twenty years following 1885 that have been covered in the present study. At the same time, it would be quite correct to conclude that if the Government of India bowed down before the zamindars of Bengal and Bihar in 1885, it did so on account of the pressure exerted by them and not because of lack of adequate support, not to speak of any opposition, from the majority of the rising national leadership of Bengal. In fact, a section of the national leadership was much more advanced and farsighted than the officials in so far as it agitated for the checking of sub-infeudation and the protection of the under-ryots at a time when many of the officials looked upon sub-infeudation either as a safety valve for the rural unemployed, who could not be employed otherwise, or as an inevitable evil at the most.[85]

III. OTHER TENANCY LEGISLATION, 1880-1905

No nationalist comment upon the North-Western Provinces Rent Act of 1881 is available.[86] The Central Provinces Tenancy Bill, which was enacted into law in 1883, was criticised sharply

Bengal Public Opinion, 19 March, *Surabhi*, 10 March, *Samaya*, 16 March (*VOI*, March 1885); *Prabhati*, 18 Feb. (*RNPBeng.*, 21 Feb. 1885); *Samaya*, 23 Feb. (*ibid.*, 28 Feb. 1885); *Sanjivani*, 28 Feb. (*ibid.*, 7 March 1885); *Sadharani*, 7 March, *Gramvarta Prakasika*, 7 March (*ibid.*, 14 March 1885); *Sanjivani*, 14 March, *Gramvarta Prakasika*, 14 March (*ibid.*, 21 March 1885); *Pratikar*, 20 March (*ibid.*, 28 March 1885).

83. *Bengalee*, 14 March 1885; *Mahratta*, 15 March 1885; *Indian Spectator*, 8 March, *Indian Nation*, 16 March, *Kesari*, 16 March, *Bangabasi*, 14 March (*VOI*, March 1885); *Sanjivani*, 4 July, *Sadharani*, 5 July (*RNPBeng.*, 11 July 1885).

84. *RNPBeng.*, 11 July 1885.

85. For the opinion of officials, see Parbati Churn Ray, *op. cit.*, pp. 216-29.

86. See f.n. 25 above.

in an anonymous article published in April 1881 in the *Journal of the Poona Sarvajanik Sabha.*[87] The author objected to those provisions of the Bill which imposed limits on the malguzars' powers to enhance rent—especially as the government was not willing to lay down any such limit on its own revenue demand—and which restrained them from levying distress for rent and evicting their tenants. He also condemned the provisions relating to the payment of compensation for improvements to a non-occupancy tenant in case of ejectment, and to extension of occupancy rights.[88] On a theoretical plane, the writer was convinced that relations between landlord and tenant could not be regulated 'by outside agency' and must be 'left to private competition'.[89] The *Nyaya Sudha* also criticised the C.P. Tenancy Bill from the zamindars' point of view.[90] The *Bengalee,* on the other hand, supported the Bill but felt that it did not go far enough in protecting the interests of the tenants.[91] When later the government made an attempt to amend the C.P. Tenancy Act of 1883 so as to make it a little more pro-tenant, the *Mahratta,* in its issue dated 29 September 1889, protested against the government policy of tampering with the rights of the landlords.

The Oudh Rent Act of 1886 and the Punjab Tenancy Acts were again not commented upon by the national leadership.

The Bill to amend the Bengal Tenancy Act of 1885, moved in 1897 and passed in 1898, aroused remarkably little controversy in Bengal. The *Dacca Prakash* and the *Bangabasi* adopted a pro-zamindar attitude towards it,[92] while the *Bengalee* and the *Hitavadi* remained pro-tenant.[93] In the Bengal Legislative

87. 'The Central Provinces Land Revenue and Tenancy Bills', *JPSS,* Apr. 1881 (Vol. III, No. 4). We have the authority of Mankar for the statement that the article was written by Justice Ranade (Mankar, *op. cit.,* Vol. I, p. 214).

88. *JPSS,* Apr. 1881 (Vol. III, No. 4), pp. 17-23.

89. *Ibid.,* p. 18. Also see p. 22.

90. 29 Nov., 13 Dec. (RNPPN, 7, 21 Dec. 1882).

91. 30 Sept., 21 Oct. 1882.

92. *Dacca Prakash,* 28 March, 4 Apr. (*RNPBeng.,* 3, 10 Apr. 1897); *Bangabasi,* 8 May (*ibid.,* 15 May 1897).

93. *Bengalee,* 2 Apr. 1898; *Hitavadi,* 8 Apr. (*RNPBeng.,* 16 Apr. 1898).

Council, Surendranath Banerjea and Kali Charan Banerjea spoke against those features of the Bill which they thought would go against the interests of the tenants.[94] These two, joined by N. N. Sen, even tried to amend the Bill so as to strengthen the rights of the tenants.[95]

Government's efforts during the 1880's to protect the interests of the tenants in the zamindari areas of Madras were declared to be unnecessary by the *Hindu* of 16 April 1884 and the *Swadesamitran* of 15 February 1888.[96] The Madras Tenancy Bill of 1898 was supported by the *Hindu* in its issues dated 27, 28 and 30 May and 23 June 1898. The *Hindu*, however, felt that its provisions did not go far enough in protecting the tenants. In particular, it wanted the right of occupancy to be conferred 'once for all upon all ryots', since they and not the zamindars were the virtual proprietors of land. In the Madras Legislative Council, the nationalist members adopted a vascillating position.[97]

The Malabar Compensation for Tenants Improvement Bill was moved on 24 January 1899 with the purpose of checking the large-scale evictions of their tenants by the *jenmis* or landlords of Malabar. The *Kerala Patrika*, the premier nationalist paper of Malabar—which had for years been complaining against the existing law on the subject, ascribing the repeated Moplah outbreaks to the poverty caused by landlord oppression, and demanding that the tenants in Malabar should be given some sort of occupancy rights in the land[98]—actively supported the Bill along with the *Kerala Sanchari* and the *Kerala Chandrika*.[99] On the other hand, the Bill was opposed

94. *Proceedings of the Council of the Lieutenant-Governor of Bengal*, 1898, Vol. XXX, pp. 14-9.

95. *Ibid.*, pp. 65ff.

96. RNPM, 15 Feb. 1898.

97. P. R. Pillai, *Proceedings of the Council of Governor of Madras*, 1898, Vol. XXVI, pp. 147ff; C. J. Mudaliar, *ibid.*, pp. 163ff; C. Vijayaraghavachariar, *ibid.*, pp. 180ff.

98. See, for example, RNPM, 30 Nov. and 31 Dec. 1895, 31 March, 15 July, 15 Aug., and 31 Dec. 1896.

99. *Kerala Patrika*, 25 Feb., *Kerala Sanchari*, 15 Feb. (RNPM, 28 Feb. 1899); *Kerala Chandrika*, 2 March (*ibid.*, 15 March 1899).

by the *Hindu* and the *Manorama*[100] and by the nationalist members of the Madras Legislative Council, namely C. Vijayaraghavachariar, G. Venkataraman, and P. Ratnasabhapati Pillai.[101] One of C. Vijayaraghavachariar's objections was that the Bill sought to protect only the *karnomdar* tenants in Malabar, who being in reality the rural moneylenders did not require any help, and that the actual cultivating-tenants were in no way protected by the Bill, which was, he declared, being supported only by the Nair middlemen between the Namboodiri *jenmis* and the actual cultivators.[102]

Efforts to amend the North-Western Provinces Rent Act in 1899 were opposed from the landlord's point of view by the *Tohfah-i-Hind*, the *Nasim-i-Agra*, the *Anis-i-Hind*, and the *Prayag Samachar*, and supported from the tenant's point of view by the *Oudh Punch*. The *Hindustani* adopted the middle approach, though leaning towards the landlord's cause.[103] The N.-W. Provinces Tenancy Bill of 1901 was given full support by the *Indian Daily Mail* in its issue dated 25 October 1901.[104] But the national leadership of the province adopted on the whole a pro-zamindar attitude; it pressed for the revision of the Bill so as to accommodate many of the landlords' demands and later criticised the Act for failing to do so adequately.[105]

Between 1898 and 1904, the Government of Bombay made an attempt to legislate on the complicated question of relations between the Khots and their tenants in the district of Ratna-

100. *Hindu*, 9 Feb. 1899; *Manorama*, 30 Jan. and 28 Aug. (RNPM, 15 Feb. and 31 Aug. 1899).

101. *Proceedings of the Council of the Governor of Madras*, 1899, Vol. XXVII, pp. 22-30, 326ff.

102. *Ibid.*, pp. 24-9.

103. *RNPN*, 26 July, 2 and 16 Aug., 4 and 18 Oct. 1899.

104. *Ibid.*, 26 Oct. 1901.

105. *Advocate*, 1, 5, 15 March (*RNPN*, 2, 9, 16 March 1901); *Oudh Times*, 5 Apr. (*ibid.*, 6 Apr., 1901); *Advocate*, 19 Sept., 20 Oct. (*ibid.*, 21 Sept., 26 Oct. 1901); *HR*, Nov. 1901, pp. 456-7; Bishambar Nath, *Proceedings of the Legislative Council for the N.W.P. and Oudh*, 1901, pp. 65-70; Sri Ram, *ibid.*, pp. 70-1; Bishambar Nath and Sri Ram, *ibid.*, pp. 72ff. The *Kesari* and the *Indian Mirror* also opposed the Bill in their issues dated 22 Oct. 1901 (*RNPBom.*, 26 Oct. 1901) and 19 Oct. 1901 (*RNPBeng.*, 26 Oct. 1901) respectively.

giri. The national leadership in Bombay adopted an essentially pro-Khot approach in the ensuing controversy.[106]

IV. THE PEASANT AND THE MONEYLENDER

The village sahukar or the moneylender was the third scourge of rural India. Rural indebtedness increased rapidly during the last quarter of the 19th century and became one of the acutest problems of the countryside. The exorbitant rates of interest charged by the rural creditor led to two major evils: interest charges absorbed a large part of the peasant's income; and the peasant's frequent inability to repay the debt led to the large-scale transfer of land to the non-cultivating moneylenders. The old ryot was thus increasingly transformed into a tenant-at-will resulting in the further depression of agriculture as well as the agriculturist.[107]

The Indian national leaders generally adopted somewhat complex, many-sided, ambivalent, and sometimes divergent attitudes towards the problem of rural indebtedness. While the British Indian administrators looked upon the moneylender and his usurious rates of interest as one of the chief causes of the peasant's indebtedness and his poverty,[108] the Indian leaders

106. *Mahratta*, 18 Sept., 25 Dec. 1898, 29 Jan., 19 Feb. 1899; *Gujarati*, 15 Jan., *Mumbai Vaibhav*, 17 Jan. (RNPBom., 21 Jan. 1899); *Kesari*, 11 Apr., 18 July (*ibid.*, 15 Apr., 22 July 1899); *Kesari*, 20 Feb. (*ibid.*, 24 Feb. 1900); *Kesari*, 2 Sept. (*ibid.*, 6 Sept. 1902); *Mahratta*, 27 Sept., 11 Oct. 1903; *Sudharak*, 21 Sept., *Sayaji Vijaya*, 19 Sept. (RNPBom., 26 Sept. 1903); *Dnyan Prakash*, 1 Oct., *Sanj Vartman*, 30 Sept., *Satya Shodhak*, 27 Sept., *Kesari*, 29 Sept. (*ibid.*, 3 Oct. 1903); *Gujarati*, 14 Feb., *Kesari*, 16 Feb., *Sanj Vartman*, 17 Feb. (*ibid.*, 20 Feb. 1904); *Mahratta*, 21 Feb. 1904; D. A. Khare, *Proceedings of the Council of the Governor of Bombay*, 1899, pp. 20-8, *ibid.*, 1903, pp. 186-8, *ibid.*, 1904, pp. 21-3; N. G. Chandavarkar and G. K. Parekh, *ibid.*, 1899, p. 35.

107. See A. O. Hume, *Hints on Agricultural Reform in India* (Calc., 1879), p. 35; S. S. Thorburn, 'Agricola Redivivus', *Asiatic Quarterly Review*, July 1901; Extracts from S. S. Thorburn's Report of an Enquiry into the Indebtedness in Four Circles of Punjab, quoted in W. Digby, *op. cit.*, pp. 297-304; Radhakamal Mukerjea, *Land Problems in India* (London, 1933), pp. 263-75; B. M. Bhatia, *op. cit.*, pp. 150-5.

108. See, for example, Dufferin, *Speeches*, p. 240; Chesney, *op. cit.*, p. 395; Curzon, *Speeches I*, p. 124, *Speeches II*, p. 166; Letter from Antony Macdonnel, President of the Famine Commission of 1901, to Digby, quoted in the latter's book, *op. cit.*, p. 323; J. D. Rees, 'Famine-Facts and Fallacies', *Asiatic Quarterly Review*, July 1901, p. 9.

believed that the moneylender was a secondary and not a primary cause of the peasant's poverty or his indebtedness, and expressed the apprehension that to hold the moneylender 'the head and front of the offence' was tantamount to diverting attention from the real and basic causes of the peasant's indebtedness and his poverty.[109] They felt that the question that should be asked in this respect was 'why do ryots go to usurers'? After all it was not 'a pleasure or an advantage to them to borrow money'.[110]

According to them, one of the main causes of the alarming increase in rural indebtedness lay in the poverty of the Indian peasant, who could not get adequate livelihood from his land and who was consequently compelled to borrow at exorbitant rates of interest in order to feed himself and his family, especially in times of scarcity. Thus, for the peasant the choice often lay between starvation and the moneylender.[111] Another important cause of rural indebtedness, in their opinion, was the land revenue system with its fixity and rigidity and the high pitch of the revenue demand. The peasant, they declared, borrowed most often in order to pay his dues to the government. 'But the money-lender, the blood-sucking *Sowkar*, is a creature of the land revenue system of the Government,' wrote the *Amrita Bazar Patrika* of 12 June 1884: 'The money-lender

109. Joshi, *op. cit.*, p. 347; P. Mehta, *Speeches*, pp. 394, 770; V. R. Natu, *Rep. INC for 1894*, p. 38; *ABP*, 12 June 1884, 20 March 1892, 1, 2, Jan. 1901; *Akhbar-i-Am*, 6 Jan. (*RNPP*, 14 Jan. 1899); *Hindustani*, 4 Oct. (*RNPN*, 11 Oct. 1899); G. K. Parekh's address to the 10th Bombay Provincial Conference, *Bengalee*, 22 May 1900; Tej Bahadur Sapru, 'Review of R. C. Dutt's "Open Letters",' *HR*, Nov. 1900, p. 36; *Hindu*, 14 Dec. 1900; *Swadesmitran*, 12 Dec. (*RNPM*, 15 Dec. 1900); G. S. Iyer, *Rep. INC for 1900*, p. 29; C. Y. Chintamani, 'India and Lord Curzon', *HR*, May 1901, pp. 341-2; *Kesari*, 18 Feb. (*RNPBom.*, 22 Feb. 1902); 'Review of S. S. Thorburn's "Punjab in Peace and War" ', *HR*, Aug. 1904, pp. 196-7.

110. G. S. Iyer, *Rep. INC for 1900*, p. 29.

111. *Indu Prakash*, 4 Aug. (*RNPBom.*, 9 Aug. 1879); *Mahratta*, 10 Apr. 1881; Ranade, 'Land Law Reform and Agricultural Banks', *JPSS*, Oct. 1881 (Vol. IV, No. 2), pp. 39-40; Joshi, *op. cit.*, pp. 350, 356, 515, 521-2; *ABP*, 20 March 1892, 22 Nov. 1898; Ray, *Poverty*, p. 222; Nundy in *Indian Politics*, pp. 116, 118; *Sialkot Paper*, 16 Nov. (*RNPP*, 25 Nov. 1899); Dutt in *CPA* p. 478; *Bengalee*, 21 Aug. 1901; N. C. Kelkar, *HR*, Sept.-Oct. 1901, p. 243; G. S. Iyer, *EA*, pp. 13, 16; *Kesari*, 18 Feb. (*RNPBom.*, 22 Feb. 1902).

was created because the Government rack-rented the ryot, and never gave remissions of revenue during seasons of distress.'[112] Some of the Indian leaders also cast the blame for rural indebtedness on the complicated and elaborate system of laws, which in practice helped the moneylender and encouraged him to seize possession of land and thus intensified all the evils of usury.[113] Also, most of them firmly controverted the official assumption that the peasant borrowed for unnecessary expenditure on marriages, funerals, and other social or religious ceremonies or that, in other words, the peasant was in debt because he was extravagant.[114]

Thus, implied in the nationalist analysis of the causes of rural indebtedness was the belief that it was a product of the British administrative system and that the moneylender was

112. Also see *Dnyan Prakash*, 5 Sept., *Bodh Sudhakar*, 28 Aug. (RNPBom., 7 Sept. 1878); *Dnyan Prakash*, 30 Sept. (*ibid.*, 5 Oct. 1878); *Indu Prakash*, 4, 11 Aug. (*ibid.*, 9, 16 Aug. 1879); *Indu Prakash*, 25 Oct. (*ibid.*, 30 Oct. 1880); *Indu Prakash*, 5 Sept. (*ibid.*, 10 Sept. 1881); Ranade, 'The Deccan Agriculturists Bill', *JPSS*, Oct. 1879 (Vol. II, No. 2), pp. 46-7, 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 37, 55, and cited in Kellock, *op. cit.*, p. 27; *Mahratta*, 24 Sept. 1882; *Indian Spectator*, 8 Oct. (RNPBom., 14 Oct. 1882); *ABP*, 26 June 1884, 20 March 1892, 22 Nov. 1898, 1, 2 Jan. 1901; *Rahbar-i-Hind*, 3 July (RNPP, 15 July 1893); Joshi, *op. cit.*, pp. 348-9, 357, 408, 410, 414, 421, 426, 435, 443-4, 448-50, 515, 522; P. Mehta, *op. cit.*, pp. 394-5, 450, 575, 655; Malaviya, *op. cit.*, pp. 305-06, 312-3; Resol. X of INC for 1895; R. N. Mudholkar, *Rep. INC for 1895*, p. 111; R. P. Karandikar, *ibid.*, p. 112; Nundy in *Indian Politics*, pp. 131-2; Gokhale, *Speeches*, pp. 1016-7; G. S. Iyer, *Welby Commission*, Vol. III, Q. 19024, *Rep. INC for 1900*, p. 29, and *EA*, pp. 13, 16-7; *Akhbar-i-Am*, 6 Jan. (RNPP, 14 Jan. 1899); *Punjab Samachar*, 18 March (*ibid.*, 25 March 1899); *Dawn*, Oct. 1899, p. 67, Dec. 1899, p. 136; Dutt in *CPA*, p. 480, *Speeches II*, p. 194, *EHII*, p. 331; G. K. Parekh, Presidential Address to the 10th Bombay Provincial Conference, *Bengalee*, 22 May 1900; C. Y. Chintamani, 'India and Lord Curzon', *loc. cit.*, pp. 341-2; *Bengalee*, 21 Aug. 1901; *Madras Standard*, 2 Aug. (RNPM, 10 Aug. 1901); 'Review of Thorburn's "Punjab in Peace and War",' *HR*, Aug. 1904, p. 196. Also see above Chapter IX and section on Land Alienation below.

113. L. M. Ghose, *Speeches*, p. 88; Ranade, 'The Deccan Agriculturists Bill', *loc. cit.*, pp. 50-1, 'Land Law Reform and Agricultural Banks', *loc. cit.*, p. 44; Poona Sarvajanik Sabha's Representation, dated 6 Sept. 1879, *JPSS*, Jan. 1880 (Vol. II, No. 3), p. 106; *Sanjivani*, 6 Aug. (RNPBeng., 13 Aug. 1898); *Dawn*, Oct. 1899, p. 67, Dec. 1899, pp. 136-7; Gokhale, *Speeches*, p. 1016; Dutt, *Speeches I*, pp. 13-4, 27; 'Review of Thorburn's "Punjab in Peace and War",' *HR*, Aug. 1904, p. 197.

114. See, for example, Ranade, 'The Deccan Agriculturists Bill', *loc. cit.*, p. 45, 'Land Law Reform and Agricultural Banks', *loc. cit.*, p. 55; Joshi,

an appendage of British economic policies. This belief was in a few cases even explicitly stated. For example, the *Amrita Bazar Patrika* of 2 January 1901 asserted that the moneylenders, 'at least the Marwari adventurers, are the products of British rule in this country'; and the *Kesari* of 18 February 1902 observed:

> No doubt, the moneylenders have increased in number under British rule; but that is because British rule has killed indigenous industries. When national industries have become extinct, and when about forty-five crores of rupees are every year drained away to England, is it to be wondered at that the various classes of the Indian population should have no alternative open to them, but to feed upon one another? British rule has not only effected this revolution but has also sought, by means of legislation, to perpetuate it.[115]

Having dissociated themselves from what they believed to be the official over-emphasis on the moneylender and rural indebtedness as primary causes of the Indian peasant's poverty, most of the national leaders willingly recognised the evils which arose out of the spread of usury, strongly condemned the exorbitant rates of interest charged by the village moneylender and the illegal and rapacious devices adopted by him to milk the peasant, declared usury to be an important but secondary cause of the ryot's poverty, and demanded that the ryot should be protected from the exactions of the moneylender, who was quite often described as a 'blood-sucker'.[116]

op. cit., pp. 346-7, 443-4, 515, 517, 519, 536; P. Mehta, *Speeches*, pp .663-4, 810; Malaviya, *Speeches*, p. 308; R. N. Mudholkar, *Rep. INC for 1895*, p. 111; Nundy in *Indian Politics*, p. 117; G. S. Iyer, *EA*, pp. 13-6; Dutt, *Open Letters*, p. 78, *Speeches I*, p. 27. Also see above Chapter IX and f.n. 152 below.

115. *RNPBom.*, 22 Feb. 1902.

116. See, for example, *Dnyan Prakash*, 30 Sept. (*RNPBom.*, 5 Oct. 1878); L. M. Ghose, *Speeches*, p. 88; *Ananda Bazar Patrika*, 7 Sept. (*RNPBeng.*, 18 Sept. 1880); *Indu Prakash*, 25 Oct. (*RNPBom.*, 30 Oct. 1880); *Bharat Bandhu*, 26 Nov. (*RNPPN*, 2 Dec. 1880); Ranade, 'Mr Wedderburn and His Critics on a Permanent Settlement for the Deccan', *JPSS*, Jan. 1881 (Vol. III, No. 3),

For example, at the 1899 session of the National Congress, Lala Murlidhar from the Punjab described a moneylender in the following words:

> The moneylender is a curious formation of man and beast. Those who believe in the doctrine of transmigration of souls and reincarnation will readily agree with me in believing that he has the claws of a lion, the brain of a fox, and the heart of a goat.... He is a money-grabber, a contemptible leech, I will say, a man who sucks the blood of the poor agriculturist.[117]

Some of the Indians also took note of, and condemned, the growing tendency towards the transfer of agricultural land into the hands of non-agricultural and non-cultivating

p. 17, 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 41, 50; *Mahratta*, 1 Jan., 12, 19 Feb. 1882; *Bengalee*, 2 Dec. 1882; *Bharat Mihir*, 28 Nov. (*RNPBeng.*, 9 Dec. 1882); *Bharat Mitra*, 22 Nov. (*ibid.*, 1 Dec. 1883); *ABP*, 12, 26 June 1884; *Sanjivani*, 19 Apr. (*RNPBeng.*, 26 Apr. 1884); *Hindu Ranjika*, 30 Apr. (*ibid.*, 10 May 1884); *Hindu*, 29 Dec. 1884; Raja Rampal Singh, *Rep. INC for 1886*, pp. 65-6; *Koh-i-Noor*, 13, 15, 17 Aug., *Ravi*, 14 Aug., *Aftab-i-Punjab*, 16 Aug. (*RNPP*, 24 Aug. 1889); *Hitavadi*, 25 July (*RNPBeng.*, 1 Aug. 1891); *Banganivasi*, 28 Aug. (*ibid.*, 5 Sept. 1891); *Bengalee*, 23 Jan. 1892; *Hindustan*, 26 Apr. (*RNPN*, 28 Apr. 1892); *Taj-ul-Akhbar*, 4 Feb. (*RNPP*, 18 Feb. 1893); *Rahbar-i-Hind*, 13 July (*ibid.*, 22 July 1893); *Akhbar-i-Am*, 13 Oct. (*ibid.*, 21 Oct. 1894); *Rahabar-i-Hind*, 14 March, 20 June (*ibid.*, 23 March and 6 July 1895); *Akhbar-i-Am*, 18 July (*ibid.*, 27 July 1895); *Ghamkhwar-i-Hind*, 20 July (*ibid.*, 3 Aug. 1895); Joshi, *op. cit.*, pp. 350-61, 407-08, 411-3, 447-8; Ray, *Poverty*, p. 220; *Sahachar*, 13 March, *Sanjivani*, 16 March (*RNPBeng.*, 23 March 1895); R. N. Mudholkar, *Rep. INC for 1896*, p. 15; Tilak, quoted in Ram Gopal, *op. cit.*, p. 145; *Sanjivani*, 19 March, 6, 13, 27 Aug. (*RNPBeng.*, 26 March, 13, 20 Aug., 3 Sept. 1898); R. M. Sayani, *LCP*, 1898, Vol. XXXVII, p. 524; *Phoenix*, 5 Oct., *Gurakhi*, 6 Oct., (*RNPBom.*, 8 Oct. 1898); *Taj-ul-Akhbar*, 21 Jan. (*RNPP*, 4 Feb. 1899); *Paisa Akhbar*, 1 Feb. (*ibid.*, 18 Feb. 1899); *Sialkot Paper*, 8 Oct. (*ibid.*, 28 Oct. 1899); *Almora Akhbar*, 1 Apr. (*RNPN*, 12 Apr. 1899); *Mahratta*, 8 Oct. 1899; Wacha, *Speeches*, p. 436; Dutt, *Speeches I*, p. 14; Tej Bahadur Sapru, *HR*, Nov. 1900, p. 36; *Proceedings of the 1st North Arcot District Conference held on 21, 22 July 1900*, p. 9; N. G. Chandavarkar in *CPA*, p. 517; correspondents in *Kesari*, 12 Feb., 12 March (*RNPBom.*, 16 Feb., 16 March 1901); *Vikata Dutan*, 4 May (*RNPM*, 4 May 1901); *Indian Mirror*, 28 Sept. (*RNPBeng.*, 5 Oct. 1901); *New India*, 25 Nov. 1901; C. Y. Chintamani, 'India and Lord Curzon', *loc. cit.*, p. 341; P. Mehta, *Speeches*, p. 625; M. R. R. Iyer, *Rep. INC for 1903*, p. 142; C. C. Ghose, *ibid.*, p. 144; Gokhale, *Speeches*, pp. 111, 329, 1034; Malaviya, *Speeches*, p. 30.

117. *Rep. INC for 1899*, p. 44.

classes.[118]

At the same time, many of the Indian leaders realised that under the existing economic conditions and in the absence of alternative sources of credit, the moneylender was an economic necessity in rural India since without him the peasant would not be able to carry on agricultural operations, meet his revenue demand promptly, and maintain himself and his family in times of economic stress. The moneylender should, therefore, they felt, be corrected and controlled and not suppressed.[119] This line of argument was undoubtedly sound in the conditions prevailing at that time.[120] However, a few of them carried it too far and sometimes openly spoke up in defence of the moneylender and his interests.[121]

The attitude of the Indian national leaders towards peasants' relations with moneylenders can perhaps be better studied in the context of their attitude towards the measures adopted by the government from time to time to prevent the exploitation and displacement of the peasant by the moneylender and the consequent threat to the political and social stability of British rule.

118. Ranade, *Essays*, pp. 293-4; Joshi, *op. cit.*, pp. 419-20, 439, 447-8, 519-21; R. N. Mudholkar, *Rep. INC for 1895*, pp. 108-09; Nundy in *Indian Politics*, pp. 116-7; S. N. Banerjea in *CPA*, p. 698; *Bengalee*, 13 Feb. 1892; *Sanjivani*, 13 Aug. (*RNPBeng.*, 20 Aug. 1898); *Indian Spectator*, 11 Dec. 1898; *Paisa Akhbar*, 1 Feb. (*RNPP*, 18 Feb. 1899); *Sialkot Paper*, 8 Oct. (*ibid.*, 28 Oct. 1899); *Indu Prakash*, 9 Oct. (*RNPBom.*, 14 Oct. 1899).

119. Ranade, 'The Deccan Agriculturists Bill', *loc. cit.*, pp. 49-50; *Ananda Bazar Patrika*, 7 Sept. (*RNPBeng.*, 18 Sept. 1880); *Dnyan Prakash*, 25 Sept. (*RNPBom.*, 30 Sept. 1882); *Indian Spectator*, 8 Oct., 26 Nov. (*ibid.*, 14 Oct., 2 Dec. 1882); *ABP* 25 Jan., 1 Feb. 1883, 20 March 1892, 22 Nov. 1898; *Indian Spectator*, 29 June (*RNPBom.*, 5 July 1884); Joshi, *op. cit.*, p. 343; N. G. Chandavarkar in *CPA*, p. 517; Tilak, quoted in Pradhan and Bhagwat, *op. cit.*, p. 133; P. Mehta, *Speeches*, pp. 656-7; G. K. Parekh, *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, p. 314; D.A. Khare, *ibid.*, pp. 325-6; Wacha in *CPA*, p. 582; G. S. Iyer, *EA*, p. 156.

120. Cf. Gadgil, *op. cit.*, p. 97. Also Curzon, *Speeches II*, p. 29; C. M. Rivaz, *LCP*, 1899, Vol. XXXVIII, pp. 325-6; G. Hamilton, *Indian Debates*, 3 Feb. 1901, C. 113.

121. *Mahratta*, 6 March 1881, 7 May 1882; *Akhbar-i-Am*, 6 Nov. (*RNPP*, 17 Nov. 1894), and 6 Jan. (*ibid.*, 14 Jan. 1899); *Victoria Paper*, 17 July (*ibid.*, 5 Aug. 1899); *Bharat Mitra*, 22 Jan. (*RNPBeng.*, 27 Jan. 1900); *ABP*, 1 Jan. 1901; *Kesari*, 18 Feb. (*RNPBom.*, 22 Feb. 1902).

V. THE DECCAN AGRICULTURISTS' RELIEF ACT, 1879

The Deccan Agriculturists' Relief Act of 1879, the first important anti-moneylender measure adopted by the authorities, aimed at redressing the agrarian discontent in the Bombay Deccan, which had found expression in serious riots in 1875, by curbing usury and fraudulent practices on the part of the moneylender, simplifying the legal procedure, and scaling down rural debts. The Act, which was made applicable initially to only four districts of the Deccan, authorised the courts to go behind the letter of the bonds, to inquire into the history and merits of a debt, and to determine, after disallowing unreasonable rates of interest, the sum actually due on a reasonable basis. It protected a debtor against the sale of his land unless definitely pledged and even provided for the restoration of the land to him under certain circumstances. The Act provided for the appointment of village registrars before whom all debt bonds had to be registered and for declaring, on application, insolvent a debtor owing large sums of money; it abolished imprisonment for non-payment of debt and also made provision for the appointment of debt conciliators. The Act was amended in 1882 thereby empowering debtors to sue for accounts without seeking the redemption of mortgaged land.

The Act was actively supported by Justice Ranade, the Poona Sarvajanik Sabha, and some of the Bombay newspapers.[122] Writing in 1881, Ranade summed up his attitude in the following words:

> Its sole justification consists in the fact that the ordinary law assumes an equality of advantages and intelligence

122. Ranade, 'The Deccan Agriculturists Bill', *JPSS*, Oct. 1879 (Vol. II, No. 2) (This article, which originally appeared anonymously, was written, according to Mankar, by Ranade; and there is internal evidence within the article itself that Mankar was undoubtedly right in this respect); Representation of the Poona Sarvajanik Sabha, dated 6 Sept. 1879, *JPSS*, Jan. 1880 (Vol. II, No. 3); *Rast Goftar* and *Lok Mitra* of 20 July (*RNPBom.*, 26 July 1879); *Swadesh Mitra*, 9 Aug. (*ibid.*, 16 Aug. 1879); *Jame Jamsed*, 22 Aug. (*ibid.*, 23 Aug. 1879).

> between the insolvent and uneducated Ryot and the thrifty and intelligent Sowkar, which equality as a matter of fact does not exist. The assumption of equality was entirely a fiction of artificial legislation, and as it led to great abuses, it was time enough to correct the mischief by a return to the old conservative native traditions in favour of the protection of the weaker party.[123]

In the article 'The Deccan Agriculturists Bill', published in the *Journal of the Poona Sarvajanik Sabha* in October 1879, Ranade defended nearly all the important provisions of the Bill.

Many of the nationalist newspapers of Bombay, however, disapproved of the Act mainly on the ground that it was a half-hearted measure and would not, therefore, succeed in saving the peasant; it dealt with the secondary evil of the moneylender, while leaving the primary evil of a rigid and harsh land revenue system untouched. It could only result in destroying the credit of the peasant, while keeping intact his liabilities, and, therefore, in his further ruin.[124] Perhaps working in the minds of the critics of the Act was the feeling, which was openly voiced by the *Mahratta* of 3 February 1884, that it was 'a measure that was launched for concealing the real source of the fountain of misery . . . a measure by the aid of which the Government wanted to throw off its own responsibilities on to the shoulders of the sowcars'. Even Ranade had qualified his full-throated support to the Act with the statement that it could bring relief to the ryot only if it was worked 'in conjunction with a more liberal land revenue policy, and *on that condition alone*'.[125] Otherwise, he had further asserted, 'the

123. Ranade, 'Land Law Reform and Agricultural Banks', *loc. cit.*, p. 43.

124. *Indu Prakash*, 22 July (RNPBom., 27 July 1878); *Dnyan Prakash*, 30 Sept. (*ibid.*, 5 Oct. 1878); *Guzerat Mitra*, 29 Dec. 1878 (*ibid.*, 4 Jan. 1879); *Arunodaya*, 27 July (*ibid.*, 2 Aug. 1879); *Indu Prakash*, 4 Aug. (*ibid.*, 9 Aug. 1879); *Native Opinion*, 10 Aug. (*ibid.*, 16 Aug. 1879); *Indu Prakash*, 29 Nov. (*ibid.*, 4 Dec. 1880); *Subodh Patrika*, 5 Dec. (*ibid.*, 11 Dec. 1880); *Mahratta*, 3 Apr. 1881, 3 Feb. 1884); *Indu Prakash*, 3 Apr. (RNPBom., 8 Apr. 1882); *Shivaji*, 22 Sept. (RNPBom., 30 Sept. 1882); *Indian Spectator*, 8 Oct. (*ibid.*, 14 Oct. 1882); *Mahratta*, 15 Oct. 1882; Newspapers quoted in the *VOI*, Jan. 1883.

125. 'The Deccan Agriculturists Act', *loc. cit.*, p. 44.

Act alone will do no real, tangible, or lasting good, and might even aggravate the present condition of things,' since the peasant would have to find money somewhere in order to pay the excessive land revenue.[126] A few of the Indian leaders also held it against the Act that it tended to ignore the interests of the moneylender altogether and to effect his complete ruin.[127]

VI. RESTRICTIONS ON ALIENATION OF LAND

After 1879, the government took no major step against the growing menace of rural indebtedness till the close of the century when the authorities, taking alarm at the speed with which land was passing into the hands of the non-cultivating classes, felt compelled to seek out a more drastic remedy than was tried hitherto. The official thinking on this matter had slowly veered round, over the years, to the view that the primary causes of the large-scale transfer of land from the peasantry to the non-cultivating classes were the excessive leniency of the government demand—which by absorbing only a part of the economic rent left a large unearned surplus in the hands of the landowners and enabled a chain of parasitic rent-receivers to exist— the unrestricted power of transferring their land by sale or mortgage conferred upon the landholders.

126. *Essays*, p. 327, and 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 42, 45-6, 49-53; Representation of the Poona Sarvajanik Sabha, dated 6 Sept. 1879, *loc. cit.*, pp. 110-1. In later years too, many Indians expressed similar fears regarding the Act and pointed out that the law was being evaded through collusion between the money-lender and the borrower and that the Act had in many cases resulted in actual transfer of land to the money-lender. They, therefore, pleaded for a more liberal land revenue policy and provision of alternative sources of credit to the peasant. *Native Opinion*, 23 Sept. 1888; *Mahratta*, 4 Oct. 1891; *Kaiser-e-Hind*, 18 Oct. (*ibid.*, 24 Oct. 1891); *Gujarat Darpan*, 29 Nov. (*ibid.*, 5 Dec. 1891); Joshi, *op. cit.*, pp. 355, 359-60; V. R. Natu, *Rep. INC for 1894*, p. 38; *Indu Prakash*, 7 May (RNPBom., 12 May 1891); *Indian Spectator*, 13 May (*ibid.*, 19 May 1894); N. G. Chandavarkar in *CPA*, pp. 509-10, 517-8; P. Mehta, *Speeches*, pp. 394-5.

127. *Mahratta*, 5 June 1881, 24 Sept. 1882, 4 Oct. 1891; *Indu Prakash*, 21 Sept. 1891; *Prakashak*, 8 Jan., *Kal*, 4 Jan. (RNPBom., 12 Jan. 1901).

by the British administration, and the thriftless nature of the Indian peasant, who was induced, because of the power of alienation of land vested in him, to borrow heedlessly to the maximum extent of his credit.[128] Believing, therefore, that higher the assessment the better for the ryot, some of the British administrators would have perhaps liked to propose an increase in the land revenue in order to make non-cultivating landlordism uneconomic if they had not realised that such a proposal was an impossibility politically.[129] The only other remedy, it was felt by the authorities, was to take away from the improvident and shortsighted peasant the 'fatal gift' of free alienation of land and to impose restrictions on his power of transferring land and thus to contract his credit and remove the power and temptation to incur large debts.[130]

The first major embodiment of the new policy was the Punjab Alienation Act of 1900. The Act prohibited the permanent alienation of land by a hereditary cultivator except to defined agriculturists without the sanction of a Deputy Commissioner, permitted certain forms of temporary alienation to non-agriculturists up to a maximum period of 20 years after which the land reverted unencumbered to the alienator, and prohibited the sale of agricultural land in execution of any decree or order.[131] It is obvious that the Act was designed not so much to relieve the existing indebtedness of the peasant or to check its future growth as to prevent the evil of the pea-

128. See, for instance, Government of India's Despatch to Secretary of State, dated 3 January 1894, *Home (Public)* Proceedings, Jan. 1894, Prog. No. 186(A), para 28; J. Monteath, *Proceedings of the Council of the Governor of Bombay*, 1900, Vol. XXXVIII, p. 141, and *ibid.*, 1901, Vol. *XXXIX*, pp. 179-84; George Hamilton, *Indian Debates*, 3 Feb. 1901, cs. 111-5; *Land Revenue Policy of the Government of India*, 1902, para 29; Eric Stokes, *The English Utilitarians and India* (Oxford, 1959), pp. 138-9; Rees, *op. cit.*, p. 319.

129. J. Monteath, *Proceedings of the Council of the Governor of Bombay*, 1900, Vol. XXXVIII, p. 141; George Hamilton, *Indian Debates*, 3 Feb. 1901, cs. 111-2; S. S. Thorburn's address to the Fabian Society on 10 Jan. 1902, *Statesman*, 6 Feb. 1902.

130. For history of the evolution of this view, see C. M. Rivaz, *LCP*, 1899, Vol. XXXVIII, pp. 318-20. For controversy on the subject in the official circles between 1857 and 1880, see Ranade, *Essays*, pp. 294-324.

131. Act. XIII of 1900.

santry of the Punjab being expropriated by the moneylender —an outsider—and thereby perhaps constituting 'an ever increasing political danger'.[132] That is the reason why the transfer of land to agricultural classes was freely permitted; and, in fact, alienation of land was restricted and regulated and not prohibited altogether. It was, of course, expected that the Act would indirectly tend to curb the peasant's tendency and capacity to run to the moneylender at the first temptation.

The next important step in this direction was taken in Bombay in 1901 with the enactment of the Land Revenue Amendment Act, which contained provisions empowering the government to settle waste lands and fields, which had been forfeited to the government because of default in the payment of land revenue, on a new kind of tenure that carried no right of transfer. Moreover, the Act provided for the grant of forfeited land on such terms and for such periods as the collector might prescribe.[133] Because the Act was only an enabling and not an obligatory measure and because it imposed inalienability only on the forfeited land, it might be said to be much narrower in its scope than its Punjab counterpart. On the other hand, it was more stringent than the Punjab Act in two respects: one, that whatever land it was extended to it imposed not restrictions but complete prohibition on alienation of land by sale or mortgage; and two, that it empowered the government to let out forfeited land on short leases in place of the permanent occupancy of the survey tenure.

The nationalist attitude towards the efforts at restricting the power of private alienation of land highlights the differences between the British officials and the Indian leaders regarding the causes of, and the cure for, rural indebtedness. In view of these differences, it was not unexpected that the latter opposed the remedy of non-alienability of land from its very incubatory

132. C. M. Rivaz, *loc. cit.*, pp. 325-7; Curzon, *Speeches I*, pp. 124-5, *Speeches II*, pp. 28-9, 34.

133. Bombay Act IV of 1901; J. M. Monteah, *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, p. 186; Joshi, *op. cit.*, pp. 532, 539, 545.

period to the stage of its acceptance by the Government of India.[134]

The Punjab Land Alienation Bill was either opposed or left unsupported outside the Punjab.[135] Within the Punjab the Bill caused a split in the nationalist ranks;[136] it placed many of the Indian nationalists on the horns of a dilemma. For example, the leading Urdu language nationalist paper of the province, the *Akhbar-i-Am*, in the beginning adopted a very hesitant approach and reacted by opening its columns to communications from both the supporters and the opponents of the measure. After having sat on the fence for nearly a year, it opposed the Bill in its issues dated 7 August 1900 and 27 October 1900.[137] But, two weeks later, it turned a somersault and confidently predicted in its issue dated 10 November 1900 that the Act would prove a success and all objections to it unjustified.[138] In any case, opposition to the Punjab Alienation

134. Ranade, 'Land Law Reform and Agricultural Banks', *loc. cit.*, p. 32, *Essays*, pp. 325-7; Resolution X of INC for 1895; Poona Sarvajanik Sabha's address to Lord Elgin, dated 9 Nov. 1895, *JPSS*, Jan. 1896 (Vol. XVIII, No. 3), p. 11; Dutt in *CPA*, p. 478, and *Speeches II*, p. 36.

135. Resolution II of INC for 1899; *Indian Spectator*, 8 Oct., *Indu Prakash*, 9 Oct. (*RNPBom.*, 14 Oct. 1899); *Hindustani*, 20 Dec. (*RNPN*, 26 Dec. 1899); *Indian Spectator*, 8 July 1900; *Kesari*, 30 Oct. (*RNPBom.*, 3 Nov. 1900); *Bengalee*, 8 Nov. 1900. The *Hindu* of 7 October 1899 and the *Mahratta* of 8 Oct. 1899 did not condemn the Bill but declared it to be a useless measure.

136. For the supporters of the Bill, see *Civil and Military News*, 4 Oct. (*RNPP*, 21 Oct. 1899); *Paisa Akhbar*, 4 Nov. (*ibid.*, 18 Nov. 1899); *Rafiq-i-Hind*, 18 Nov. (*ibid.*, 25 Nov. 1899); *Rafiq-i-Hind*, 3 March, 28 Apr. 9 June, 8 Sept., 3 Nov. (*ibid.*, 10 March, 5 May, 30 June, 15 Sept., 17 Nov. 1900 respectively); *Ghamkhwar-i-Hind*, 27 Jan. (*ibid.*, 3 Feb. 1900). For the opponents, see *Tribune*, 7 Oct. (*ISVOI*, 22 Oct. 1899); *Wakil*, 31 July (*RNPP*, 12 Aug. 1899); *Sialkot Paper*, 8 Oct. (*ibid.*, 28 Oct. 1899); *Victoria Paper*, 4 Nov. (*ibid.*, 18 Nov. 1899); *Punjab Samachar*, 18 Nov. (*ibid.*, 25 Nov. 1899); *Dost-i-Hind*, 2 March, *Victoria Paper*, 5 March (*ibid.*, 10 March 1900); *Sialkot* Paper, 8 Apr. (*ibid.*, 14 Apr. 1900); *Public Gazette*, 24 Oct. (*ibid.*, 3 Nov. 1900). Murlidhar and Kanahiya Lal, two of the leading Congress leaders from the Punjab, opposed the Bill at the Congress session. See *Rep. INC for 1899*, pp. 45-7.

137. *RNPP*, 18 Aug. and 3 Nov. 1900 respectively.

138. *Ibid.*, 24 Nov. 1900. Similarly the *Victoria Paper* of 22 August 1900 reversed its previous stand and gave support to the amended Bill (*RNPP*, 8 Sept. 1900).

Act was not stubborn or heated or prolonged whether in or outside the Punjab.

The Bombay Land Revenue Amendment Bill, on the other hand, aroused great public indignation in the Bombay Presidency. Meetings of protest were held all over the Presidency, and the Bombay Presidency Association, the Poona Sarvajanik Sabha, and the Deccan Sabha sent petitions against it.[139] Leading nationalist newspapers filled their columns with vituperations against the Bill,[140] while leading public men lashed out against it.[141] Some of the Indian members of the Bombay Legislative Council, namely, P. M. Mehta, G. K. Gokhale, G. K. Parekh, Balachandra Krishna, and D. A. Khare, took the unprecedented step of staging what was perhaps the first walk-out in India's legislative history as a protest against the 'hasty' enactment of the Bill.[142]

The opposition of the Indian national leaders to the non-alienation legislation originated in the main from their belief that, even though such legislation was undertaken with the worthy object of saving the peasant from being expropriated by the moneylender, it would do little good in practice and would probably even go counter to the best interest of the peasantry. Firstly, they averred that restrictions on land alienation would reduce, if not ruin entirely, the ryot's credit, and since he required loans to carry on agricultural operations, to pay the government dues, and to maintain his family during days of

139. Hoyland, *op. cit.*, p. 71; H. Mody, *op. cit.*, Vol. I, p. 424.

140. *Mahratta*, 30 June, 7, 14 July 1901; *Hindu*, 31 July 1901; *ABP*, 26 Aug. 1901; newspapers reported in the *RNPBom.*, 1, 8, 22 June 1901; also see *RNPBom.* for the months July, August, and September 1901.

141. Joshi, *op. cit.*, pp. 439-44, 512-54; P. Mehta, *Speeches*, pp. 641-6, 651-712; Gokhale, *Speeches*, pp. 1017-48; G. K. Parekh, *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, pp. 191-5, 312-9; D. A. Khare, *ibid.*, pp. 319-28; Tilak, quoted in Pradhan and Bhagwat, *op. cit.*, pp. 132-3; Wacha in *CPA*, pp. 569-70; N. C. Kelkar, 'The Recent Land Legislation in Bombay', *HR*, Sept.-Oct. 1901, pp. 242 ff. Also see Dutt, *Speeches II*, pp. 136, 138; and a Memorial on behalf of a Conference of Indians residing in the U.K. and signed by Dadabhai Naoroji, R. C. Dutt, and K. Harnam Singh, reproduced in Dutt, *Speeches II*, pp. 141-9.

142. *Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, pp. 367-8.

scarcity this would mean that he would either fail to raise a loan or would be able to do so at much higher rates of interest.[143] They further claimed that such restrictions would inevitably lead to a reduction in the value of land,[144] that they amounted to an encroachment on the proprietary rights of the peasant, and they would in due course transform him into a virtual serf of the state.[145] This criticism was voiced particularly loudly by Indian leaders in the course of their attack on the Bombay Land Revenue Amendment Bill, whose provisions regarding the right of the government to resettle forfeited lands on such terms and for such periods as it might consider fit were declared by them to be intended not only to take away the ryot's power of alienation but also his perpetual tenure or right of permanent and inheritable occupancy and were, thus, regarded by them as a covert attempt at implementing the theory of state landlordism and at virtual nationalisation of land.[146] Some of them predicted that the real consequences of

143. Representation of the Poona Sarvajanik Sabha, dated 6 Sept. 1879, *loc. cit.*, p. 110; R. N. Mudholkar, *Rep. INC for 1895*, p. 110; *Rahbar*, 1 March (*RNPN*, 10 March 1897); Resolution II of INC for 1899; *Indian Spectator*, 8 Oct., *Indu Prakash*, 9 Oct. (*RNPBom.*, 14 Oct. 1899); *Paisa Akhbar*, 1 Feb. (*RNPP*, 18 Feb. 1899); *Wakil*, 31 July (*ibid.*, 12 Aug. 1899); *Victoria Paper*, 4 Nov. (*ibid.*, 18 Nov. 1899); *Sialkot Paper*, 16 Nov. (*ibid.*, 25 Nov. 1899); Report of the Sub-Committee of the Indian Association Lahore, reproduced in the *Rafiq-i-Hind*, 25 Nov. (*ibid.*, 9 Dec. 1899); *Kesari*, 30 Oct. (*RNPBom.*, 3 Nov. 1900); Joshi, *op. cit.*, pp. 444, 515, 544; Gokhale, *Speeches*, pp. 1032-3; P. Mehta, *Speeches*, pp. 674, 686; G. K. Parekh, *loc. cit.*, pp. 192-3; D. A. Khare, *loc. cit.*, p. 325; C. Y. Chintamani, 'India and Lord Curzon', *HR*, May 1901, pp. 340-1; *Mahratta*, 14 July 1901; *Ahmedabad Times*, *Kaiser-e-Hind*, and *Gujerati* of 26 May (*RNPBom.*, 1 June 1901); *Indu Prakash*, 20 June (*ibid.*, 22 June 1901); Malaviya, *Speeches*, pp. 310, 317.

144. *Rahbar*, 1 Mareh (*RNPN*, 10 March 1897); *Victoria Paper*, 4 Nov. (*RNPP*, 18 Nov. 1899); *Punjab Samachar*, 18 Nov., *Sialkot Paper*, 16 Nov. (*ibid.*, 25 Nov. 1899); Report of the Sub-Committee of the Indian Association, Lahore, *loc. cit.*; *Dost-i-Hind*, 2 March (*RNPP*, 10 March 1900); Dutt in *CPA*, p. 479; *Open Letters*, p. 78, *Speeches II*, p. 36, *EHII*, pp. 471, 487, 494; Phansalkar, *Rep. INC for 1899*, p. 47; Joshi, *op. cit.*, p. 444; Malaviya, *Speeches*, p. 317.

145. Ranade, 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 32-3; Poona Sarvajanik Sabha's Address to Lord Elgin, 9 Nov. 1895, *loc. cit.*, p. 11; R. N. Mudholkar, *Rep. INC for 1895*, pp. 109-10; Murlidhar, *Rep. INC for 1899*, p. 45.

146. Joshi, *op. cit.*, pp. 444, 513, 515, 522, 530-1; P. Mehta, *Speeches*, pp.

these 'revolutionary' provisions would be the very opposite of those intended, in so far as the ryot, in order to save his right of full proprietorship from forfeiture, would become even more dependent on the moneylender, who, in turn, would try to foreclose and take possession of the ryot's land in order to forestall its forfeiture by the government.[147] A few of them questioned the wisdom of the attempt to maintain intact an inefficient and impoverished peasantry, since this would invariably lead to the stagnation of agriculture. On the other hand, they argued, free transfer of land resulted in its passing into the hands of more efficient and resourceful peasants and capitalists who could invest capital and raise agricultural technique and production to a higher level.[148] The clarity with which this point of view was advanced in 1880 by Justice Ranade, its chief exponent, is brought out in a separate section below.

Only rarely did the Indian leaders offer injury to the moneylender as a ground for opposing the imposition of restrictions on the transfer of land.[149] Rather, they were at pains to refute that they had any pro-moneylender proclivities. For example, both Pherozeshah Mehta and G. K. Gokhale vehemently denied that their opposition to the Bombay Land Revenue Amendment Bill was in the least inspired by a regard for the moneylender's interest.[150]

643-4, 654, 658-9, 680-5, 692-3, 697-702, 704; Gokhale, *Speeches*, pp. 1018-9, 1038-9; Wacha in *CPA*, pp. 569-70; *Kesari*, 4, 18 June (*RNPBom.*, 8, 22 June 1901).

147. Joshi, *op. cit.*, pp. 531, 543; P. Mehta, *Speeches*, pp. 675, 711; Gokhale, *Speeches*, p. 1037.

148. Ranade, *Essays*, pp. 325-7; Dutt, quoted in J. N. Gupta, *op. cit.*, p. 168; *Indian Spectator*, 8 July 1900; G. K. Parekh, *loc. cit.*, p. 316.

149. *Victoria Paper*, 4 Nov. (*RNPP*, 18 Nov. 1899); *Wakil*, 20 Nov. (*ibid.*, 2 Dec. 1899); Rep. of the Sub-Committee of the Indian Association, Lahore, *loc. cit.*; Kanahiyalal, *Rep INC for 1899*, p. 46; N. C. Kelkar, 'The Recent Land Legislation in Bombay', *loc. cit.*, p. 247. Gokhale, on the other hand, complained that the ostensible targets of the Bombay measure would in no way be affected adversely by it (*Speeches*, pp. 1030, 1037-8).

150. Pherozeshah Mehta, for example, after pointing out that 'the English official moves among the natives, isolated even when not unsympathetic, ignorant even when not uninquisitive, a stranger and a foreigner to the end of the chapter', asserted that 'it is I and my native colleagues who can

On a wider plane, the Indian leaders felt that to restrict alienation of land was to attack the problem of rural indebtedness at the wrong end, the entire scheme being based on 'a grievous misapprehension of the fundamental conditions of the problem'. True, the right to transfer land enabled a ryot to borrow by offering his land as security, but, they argued, it was not the cause of his borrowing. They therefore contended that in order to check the evil of large-scale land transfers it was not the credit of the ryot but the factors responsible for his borrowing which should be attacked. To check the former while letting the latter remain was 'only suppressing the symptom while maintaining the original cause of the disease'.[151] In this context, they repeatedly controverted the view that the Indian peasant was by nature improvident and would, therefore, always go on borrowing to the maximum limit of his capacity.[152] They also poured ridicule over the view that the lightness of the government demand on land indirectly led, by creating an unearned surplus, to the money-lender's control over land.[153] They complained that while the government was willing to clutch at any straw it was unwill-

claim to speak at first hand and of our own personal and intuitive knowledge and experience of the feelings and thoughts of the ryots, his prejudices, his habits of thought, his ways of life, his ambitions and his aspirations. In speaking on this Bill, it is we who represent the real views of the agricultural masses, not the insular and isolated English officials' (*Speeches*, p. 670). Also see *ibid.*, pp. 640-1, 652, 703; Gokhale, *Speeches*, pp. 1029-30.

151. N. C. Kelkar, 'The Recent Land Legislation in Bombay', *loc. cit.*, p. 244. Also R. N. Mudholkar, *Rep. INC for 1895*, p. 111; *Mahratta*, 8 Oct. 1899, 30 June, 7 July 1901; *Hindu*, 7 Oct. 1899; *Indu Prakash*, 9 Oct. (*RNP Bom.*, 14 Oct. 1899); *Indian Spectator*, 28 Oct. 1900; Joshi, *op. cit.*, pp. 443, 447, 512-5; P. Mehta, *Speeches*, p. 394; Dutt, *Speeches II*, pp. 135-6; C. Y. Chintamani, 'India and Lord Curzon', *loc. cit.*, pp. 340-2; *Gujarati*, 2 June (*RNPBom.*, 8 June 1901); *Bengalee*, 21 Aug. 1901; Malaviya, *Speeches*, pp. 313-4.

152. Joshi, *op. cit.*, pp. 448, 515-22, 544; P. Mehta, *Speeches*, pp. 663-4, 676-7; G. K. Parekh, *loc. cit.*, pp. 193, 318; Malaviya, *Speeches*, p. 308. Also see f.n. 114 above.

153. G. S. Iyer, for instance, remarked: 'If, then, taxation is so light as to bring on this stupendous evil of rural indebtedness, it is quite open to Government to issue an *ukase* declaring such an increase in the tax as would make his holding yield no livelihood, and thereby get rid of in-

ing to remove the one real cause of indebtedness, namely, the high pitch and rigidity of land assessment, simply because its own financial interests would be affected thereby.[154] Remarkable insight in this respect was revealed by Satis Chandra Mukherjea in an article on 'The Economic Situation in India' that appeared in 1899 in the December issue of the *Dawn* magazine. Tracing the origins of the right of alienation of land in India under British rule, he pointed out that having introduced 'its stringent fiscal system' the Government of India had to take the supplementary step of giving the ryot the right to alienate his land by way of sale or mortgage, otherwise the prompt collection of land revenue would not have been possible. Any amendment of the right of alienation so as to prevent social disruption had, therefore, to be accompanied by substantial modification or even repeal of the fiscal system of which the right of alienation was a necessary corollary.[155]

Most of all, the Indian leaders were convinced that in the matter of non-alienation legislation the actual effectiveness of the means adopted was not commensurate with the end in view. Since such measures touched only the superficial aspects

debtedness altogether! Why should Government pledge themselves—as Lord Curzon pledges himself—to further leniency in the future?' (EA, pp. 13-4). R. C. Dutt accused the government of virtually repeating 'the words of the landlords of the old school: "Squeeze the tenants well in order to prevent them, poor things from getting into bad ways!"' (*Speeches II*, pp. 194-5). Also see P. Mehta, *Speeches*, pp. 656-7.

154. The Poona Sarvajanik Sabha's Representation on the D.A.R. Bill, dated 6 Sept. 1879, *loc. cit.*, p. 110; R. P. Karandikar, *Rep. INC for 1895*, pp. 112-3; *Mahratta*, 8 Oct. 1899; *Hindu*, 7 Oct. 1899; *Paisa Akhbar*, 7 Oct. (*RNPP*, 28 Oct. 1899); *Sialkot Paper*, 16 Nov., 1 Dec. (*ibid.*, 25 Nov., 9 Dec. 1899); *Dost-i-Hind*, 2 March (*ibid.*, 10 March 1900); Murlidhar, *Rep. INC for 1899*, p. 45; Joshi, *op. cit.*, pp. 440, 443-4, 450; Gokhale, *Speeches*, p. 1019; C. Y. Chintamani, 'India and Lord Curzon', *loc. cit.*, pp. 341-2; *Mahratta*, 30 June, 7 July 1901; *Indu Prakash*, 20 June (RNPBom., 22 June 1901); N. C. Kelkar, 'The Recent Land Legislation in Bombay', *loc. cit.*, pp. 243-4; Malaviya, *Speeches*, pp. 305-06, 312-4.

155. Pp. 136-7. Interestingly enough, S. C. Mukerjea added: 'If, however, it is found or presumed that the State cash demand could well be met by the agriculturist, even without State granting him the right of free trade in land, and that the right of such unrestricted trade in land has been abused through his ignorance, thriftlessness, or perversity, the case assumes a quite different, and even hopeful aspect.'

of the problem of rural indebtedness, they could at the most possess the efficacy of mere palliatives and would leave the real problem untouched and unsolved.[156]

VII. ALTERNATIVE REMEDIES

The basic approach of the Indian leaders towards the problem of rural indebtedness was that emphasis should be placed not so much on anti-moneylender measures as on the more positive steps which would remove the causes that compelled the ryot to go to the usurious and grasping moneylender and which would replace the latter by better agencies of rural credit. This view was succinctly put forward by the *Mahratta* of 8 October 1899 as follows:

> But so long as want will continue to create a craving for borrowing money, the agriculturist and the money-lender will put their heads together and hatch out a plan for evading the wholesome object of these Land Alienation Acts... Government must do what it can, either to lessen the burden of assessment and thus reduce, in part at least, the cause of indebtedness or be themselves money-lenders and thus meet the proper wants of agriculturists, saving them from the clutches of unscrupulous and heartless private money-lenders.[157]

Similarly, G. K. Gokhale, in the course of his speech on the Bombay Land Revenue Amendment Bill, challenged the go-

156. This line of criticism was articulated by G. K. Gokhale in his speech on the Bombay Land Revenue Bill. Having declared that 'if the Bill could really bring relief to those who are practically the serfs of their money lenders, I admit that, whatever there might be to be said against the measure, there would also be a good deal to be urged in its favour', he expressed his firm opinion that it was 'absolutely impossible that the Bill can do anything of the kind' (*Speeches*, p. 102). Also see, *ibid.*, pp. 25, 1022-4, 1036-40; Dutt in CPA, p. 460, *Open Letters*, p. 78; N. G. Chandavarkar in CPA, pp. 519-20; *Hindu*, 7 Oct. 1899; *Sialkot Paper*, 16 Sept. (RNPP, 6 Oct. 1900); Murlidhar, *Rep. INC for 1899*, p. 45; Joshi, *op. cit.*, pp. 444, 512, 514-5, 530, 541-2, 544; C. Y. Chintamani, 'India and Lord Curzon,' *loc. cit.*, pp. 340-1; *Mahratta*, 14 July 1901; *Kaiser-e-Hind*, 26 May, *Gujarati*, 26 May (RNPBom., 1 June 1901); *Bengalee*, 21 Aug. 1901. Also see P. Mehta, *Speeches*, p. 672.

157. Also see *Mahratta*, 30 June 1901.

vernment to select a small area, take over the debts of the ryots from the *sahukars* there, start agricultural banks to provide for their ordinary needs, and then declare their lands inalienable. 'This would be facing the question in the only manner in which it ought to be faced', he asserted, and went on to declare that 'many of our countrymen will support Government in such a policy'. The heart of the matter, he felt, was that the ryot could not be given any relief unless his existing debt was reduced and his necessary needs of credit were duly met; it was 'not possible to improve the position of the agriculturist by a mere manipulation of the legislative machine'.[158] In short, the palliatory remedies must be accompanied by more fundamental and permanent remedies which would try to get rid of the disease itself.[159]

Besides suggesting the eradication of rural poverty by 'opening out of new avenues for labour and industry and surplus capital'[160] and the relaxation of the land revenue demand[161] as remedial measures, the Indian leaders laid considerable emphasis on the provision of easier and cheaper credit facilities to the ryot. They argued in this connection that, while it

158. Gokhale, *Speeches*, pp. 1039-40.

159. Also see *ibid.*, pp. 25, 1017; Ranade, 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 48, 57, *Essays*, pp. 256-7; N. G. Chandavarkar in CPA, p. 520.

160. Ranade, 'Land Law Reform and Agricultural Banks', *loc. cit.*, p. 42. Also see *Mahratta*, 4 Sept. 1881, 1 Jan., 12 Feb. 1882, 25 May 1884, 25 Jan. 1885; *Prakashak*, 8 Jan., *Kal*, 4 Jan. (RNPBom., 12 Jan. 1901); *Kesari*, 18 June (*ibid.*, 22 June 1901), 10, 17 Nov. (*ibid.*, 14, 21 Nov. 1903); G. S. Iyer, EA, pp. 65-6.

161. See, for instance, Representation of the Poona Sarvajanik Sabha, dated 6 Sept., 1879, *loc. cit.*, pp. 105-06, 110-1; Ranade, 'The Deccan Agriculturists Bill', *loc. cit.*, p. 49, 'Mr. Wedderburn and His Critics on a Permanent Settlement for the Deccan', *loc. cit.*, p. 17, 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 42, 46, 53-7, *Essays*, pp. 256-7; *Mahratta*, 1 Jan. 1882; *Indu Prakash* and *Dnyan Prakash*, undated (VOI, *Jan.* 1883); Joshi, *op. cit.*, pp. 355-60; Resolution X of INC for 1895; R. N. Mudholkar, *Rep. INC for* 1895, p. 111; P. Mehta, *Speeches*, pp. 395, 673-4; Dutt in CPA, pp. 480ff., *Speeches II*, pp. 135-6, EHII, p. 495; N. G. Chandavarkar in CPA, p. 520; ABP, 22 Nov. 1898; C. Y. Chintamani, 'India and Lord Curzon', *loc. cit.*, pp. 340-2; Malaviya, *Speeches*, pp. 313-4. Cf. Muir-Mackenzie: 'No system of remissions will stop or materially alleviate indebtedness. Not the abolition of Land Revenue itself would have that effect' (*Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, p. 353).

was necessary to save the ryot from the rapacity of the moneylender, it was equally necessary to provide him with facilities for borrowing the necessary funds at low rates of interest; to stop the functioning of the moneylender without providing alternative sources of credit would be tantamount to leaving the ryot at the mercy of the *sahukar* but on much worse conditions than before. They therefore agitated throughout the period under study for the starting of a network of agricultural banks in the country.[162] And when in 1903-04 the Government of India brought forward the Co-operative Credit Societies Bill

162. L. M. Ghose, *Speeches*, p. 88; *Som Prakash*, 31 Oct. (*RNPBeng.*, 5 Nov. 1881); *Bharat Bandhu*, 26 Nov. (*RNPPN*, 2 Dec. 1880), 28 Apr. (*ibid.*, 3 May 1882); *Bengalee*, 10 Sept. 1881, 2 Dec. 1882; Mandlik, *op. cit.*, pp. 131-8; Ranade, 'Land Law Reform and Agricultural Banks', *loc. cit.*, and *Essays*, pp. 40-65, 256; *Native Opinion*, 19 Nov. (*RNPBom.*, 25 Nov. 1882); *Som Prakash*, 20 Nov. (*RNPBeng.*, 25 Nov. 1882); *Bharat Mihir*, 28 Nov., *Sulabha Samachar*, 2 Dec. (*ibid.*, 9 Dec. 1882); *Bangabasi*, 16 Dec. (*ibid.*, 23 Dec. 1882); *Bharat Mitra*, 22 Nov. (*ibid.*, 1 Dec. 1883); *Indian Mirror*, *Brahmo Public Opinion*, *The Herald* (*Behar*), *Indian Spectator*, *Native Opinion*, *Mahratta*, all undated (*VOI*, Jan. 1883); *Indian Mirror*, 2 Aug., *People's Friend*, 4, 11, 18 Aug., *Tribune*, 11 Aug., *Indian Spectator*, 12 Aug., *Indian Echo*, 14 Aug., *Indu Prakash*, 6 Aug. (*VOI*, Aug. 1883); *Sanjivani*, 19 Apr. (*RNPBeng*, 26 Apr. 1884); *Gramvarta Prakasika*, 26 Apr. (*ibid.*, 3 May 1884); *Ananda Bazar Patrika*, 5 May (*ibid.*, 10 May 1884); *Sahachar*, 7 May, *Navavibhakar*, 12 May (*ibid.*, 17 May 1884); *Bangabasi*, 16 Aug. (*ibid.*, 23 Aug. 1884); *Bombay Samachar*, 26 Apr. (*RNPBom.*, 26 Apr. 1884); *Dnyan Prakash*, 15 May (*ibid.*, 17 May 1884); *Indian Spectator*, 29 June (*ibid.*, 5 July 1884); *Hindu*, 29 Dec. 1884, 3 Feb. 1888; *Mahratta*, 25 Jan. 1885; *Punjabi Akhbar*, 9 Feb. (*RNPP*, 16 Feb. 1889); *Hindustan*, 10 Dec. (*RNPN*, 16 Dec. 1890); *Banganivasi*, 28 Aug. (*RNPBeng.*, 5 Sept. 1891); *Gujarat Darpan*, 29 Nov. (*RNPBom.*, 5 Dec. 1891); Resolutions III, XIII, III, and III of INC for 1891, 1896, 1901, and 1902 respectively; S. Mudaliar, *Rep. INC for 1891*, pp. 36-7; *Hindustan*, 26 Apr. (*RNPN*, 28 Apr. 1892); Joshi, *op. cit.*, pp. 359, 366; Ray, *Poverty*, pp. 222-5; *Sanjivani*, 26 Oct. (*RNPBeng.*, 2 Nov. 1895); *Victoria Paper*, 9 Feb. (*RNPP*, 16 Feb. 1895); R. N. Mudholkar, *Rep. INC for 1896*, p. 158; Dutt, *Speeches I*, p. 14; R. M. Sayani, *LCP*, 1897, Vol. XXXVI, p. 191; *Rahbar*, 1 March (*RNPN*, 10 March 1897); *Paisa Akhbar*, 23 July (*RNPP*, 30 July 1898); *Akhbar-i-Am*, 25 July (*ibid.*, 6 Aug. 1899); *Almora Akhbar*, 1 Apr. (*RNPN*, 12 Apr. 1899); *Taj-ul-Akhbar*, 21 Jan. (*RNPP*, 4 Feb. 1899); *Victoria Paper*, 4 Feb. (*ibid.*, 18 Feb. 1899); *Wakil*, 3 Apr. (*ibid.*, 29 Apr. 1899); Nawab H. Hussain, *Rep. INC for 1899*, p. 49; G. K. Parekh, quoted in *Bengalee*, 22 May 1900; Tej Bahadur Sapru, *HR*, Nov. 1900, p. 36; *Rafiq-i-Hind*, 16 June (*RNPP*, 7 July 1900); *Sialkot Paper*, 16 Sept. (*ibid.*, 6 Oct. 1900); *Akhbar-i-Am*, 10 Nov. (*ibid.*, 24 Nov. 1900); G. S. Iyer, *Rep. INC for 1900*, p. 29; *Proceedings of the 1st North Arcot District Conference*, held on 21 and 22 July 1900 at Chittoor, p. 9; P. Mehta, *Speeches*, p. 673; Wacha in *CPA*, pp. 580-4; B. K. Bose, *LCP*, 1901, Vol. XL, pp. 266-8; *ABP*, 1 Jan., 25 Sept. 1901; *Hindu*,

to enable it to promote agricultural banks and credit societies they offered the Bill a full-throated welcome.[163] An important aspect of the nationalist attitude in the context was their firm belief that the government must take an active part in promoting agricultural banks and not just leave the work to private effort.[164] Justice Ranade, G. V. Joshi, and G. K. Gokhale also maintained that the old debts of the debt-ridden peasants must be compounded and liquidated before they could be expected to stand on their own feet with the aid of agricultural banks.[165]

VIII. CAPITALIST FARMING

While the ways and means of protecting the ryot from the excesses of landlords and moneylenders suggested by the government and the national leadership in general would improve his condition within the existing structure of land relations, Justice Ranade, basing himself upon the experience of land legislation in Prussia, Russia, and France, advanced the policy of placing the Indian land relations on an entirely new footing.[166] While he was in full sympathy with the ryot and supported various official efforts, and put forward his own

23 March 1901; *Bengalee*, 28 Nov. 1901; *New India*, 2 Dec. 1901; C. Y. Chintamani, 'India and Lord Curzon', *loc. cit.*, p. 341; *Indian Daily Mail*, 24 Nov., *Hindustani*, 27 Nov. (RNPM, 30 Nov. 1901); *Indu Prakash*, 2 Dec., *Kaiser-e-Hind*, 1 Dec., *Sudharak*, 2 Dec. (RNPBom., 7 Dec. 1901); *Mahratta*, 16 Nov. 1902; Sri Ram, *LCP*, 1903, Vol. XLII, p. 103.

163. ABP, 28, 29 Oct. 1903; *Bengalee*, 28 Oct. 1903; *Mahratta*, 8 Nov. 1903; newspapers covered in the *RNPBeng.* for 14, 21 Nov. 1903, *RNPBom.* for 31 Oct., 7, 14, Nov. 1903, *RNPM* for 7, 21 Nov. 1903; *Advocate*, 1 Nov. (RNPUP, 7 Nov. 1903); *Tribune*, 21 Oct. (RNPP, 31 Oct. 1903); *Paisa Akhbar*, 8 Nov. (*ibid.*, 14 Nov. 1903); Resol. XII of INC for 1903; Gokhale, *Speeches*, pp. 329-30; A. Mukhopadhyaya and Sri Ram, *LCP*, 1904, Vol. XLIII, pp. 389 and 401-02 respectively.

164. Ranade, *Essays*, pp. 61, 63; Joshi, *op. cit.*, pp. 359-60, 366; *Hindu*, 29 Dec. 1884; *Navavibhakar*, 12 May (RNPBeng., 17 May 1884); *Sahachar*, 14 May (*ibid.*, 24 May 1884); S. Mudaliar, *Rep. INC for 1891*, p. 37; Ray, *Poverty*, p. 224; *Indu Prakash*, 2 Dec. (RNPBom., 7 Dec. 1901); Gokhale, *Speeches*, pp. 332-3; *Mahratta*, 8 Nov. 1903; HR, March 1904, pp. 302-03.

165. Ranade, 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 49-51, *Essays*, p. 256; Joshi, *op. cit.*, p. 367; Gokhale, *Speeches*, pp. 25, 112, 331-2.

166. Ranade's views on the subject were expressed in four articles that appeared in the Journal of the Poona Sarvajanik Sabha between 1879 and 1883. See 'The Agrarian Problem and Its Solution', *JPSS*, July 1879 (Vol. II,

proposals, to save the ryot from the oppression of the state, the landlord, and the moneylender, he did not agree with the direction and the spirit of the official measures which, he believed, did not remove the existing bondage of, and the restrictions on, the agrarian classes, as the Prussian legislation had successfully done during the first half of the 19th century. Under the Indian tenancy legislation, he pointed out, both the landlord and the ryot would continue to live within the bonds of the old pattern of agrarian relations; all that such legislation would succeed in accomplishing would be to increase 'the existing complexity of rights and interests', to reduce the landlords to 'the class of Rent-receiving Pensioners', and teach the ryots 'to look more and more to the State as their sole Landlord, without acquiring the training necessary to raise them to a sense of their position'. All this amounted to 'tinkering with existing rights in the assumed interests of one class', while what was called for was 'an urgent Reform, and a radical Reform'. The result of such tinkering would be that 'the interests and ownership in land will still continue to be as divided as before between quarrelsome partners, and no real improvement will take pace'.[167] Similarly, objecting to proposals for making land non-alienable with a view to save the ryot from expropriation by the moneylender, Ranade opined: 'The forcible prohibition of all transfer of real property, voluntary and involuntary, can never mend matters—it can only stereotype existing poverty and aggravate existing helplessness.'[168]

In place of the existing land relations, Ranade called for the establishment of land relations based on 'individual and independent property';[169] in place of a protected tenant, he called

No. 1); 'The Law of Land Sale in British India' (1880), in *Essays*; 'Land Law Reform and Agricultural Banks', JPSS, Oct. 1881 (Vol. IV, No. 2); and 'Prussian Land Legislation and the Bengal Tenancy Bill' (1883), in *Essays*.

167. Ranade, *Essays*, pp. 275-81, 283, 288-9. It should be noted that he fully recognised that remedial legislation to remove the evils of the existing system was needed in Bengal (*ibid.*, pp. 275, 277, 283).

168. *Ibid.*, p. 326.

169. Thus, regarding Bengal, he wrote: 'Rayati land pre-supposes a limitation and complexity of Rights, while the tendency of all remedial Legislation should be to make as many Holdings, Khamar or Jerait, as possible. Land

for the bringing into existence of a free and independent ryot who would be unencumbered in every way, who would enjoy his property in absolute possession, and who would therefore work hard on his land under the inspiration of 'the magic of property'.[170] At the same time, he believed that agriculture based entirely on small peasants would, in Indian conditions, neither be stable and progressive nor utilise the best energies of all classes of people nor make proper use of public works, advanced techniques, etc. 'A complete divorce from land of those who cultivate it is a national evil, and no less an evil is it to find one dead level of small Farmers all over the land', he wrote.[171] For a proper and balanced development of agriculture, it was necessary to have, he asserted, a large class of capitalist farmers, who would be, unlike the zamindars, complete owners of their land on the model of British landlords or the German junkers. As early as 1879 he had expressed the hope that, once the land was free of artificial restrictions, 'the provident and thrifty classes will succeed to the ownership of land, and a class of landlords would spring up all over the country, whose interest it will be to make the most of the resources of the soil, and of the great public works constructed by the Government.'[172] A little further he had made the interesting remarks:

> In all old and backward countries like India, there is always only a minority of people who monopolise all the elements of strength. They are socially and religiously in the front ranks, they possess intelligence, wealth, thrifty habits, knowledge, and power of combination. The majority of the population are unlettered, improvident, ignorant, disunited, thrift-

gains in every way, and loses nothing by being made the absolute property of the owner' (*ibid.*, p. 278).

170. *Ibid.*, pp. 257, 264, 287, 289. Also 'Land Law Reform and Agricultural Banks', *loc. cit.*, pp. 56-7.

171. *Essays*, p. 287. Also see 'The Agrarian Problem and Its Solution' *loc. cit.*, p. 17.

172. 'The Agrarian Problem and Its Solution', *loc. cit.*, p. 17. He added: 'The monied classes, having at present no interest in the land, cannot occupy the position, nor enjoy the status, nor discharge the functions of landlords. The absence of such a class retards progress in all directions.'

> less, and poor in means. No political manipulation can hold the balance between these two classes, power must gravitate where there is intelligence and wealth, and it is a hopeless struggle to keep up a poverty-stricken peasantry in possession of the soil, and divorce the natural union of capital and land.[173]

During his examination of the Bengal Tenancy Bill of 1883, Ranade criticised it for tending to reduce Khamar land, or land in personal possession of the zamindars, and to increase land under the tenants.[174] Contrasting the provisions of this Bill with those of the Prussian land legislation, he praised the latter for permitting the old feudal lords to convert a part of their estates into large capitalist farms under their absolute, unencumbered possession.[175] Similarly, among other reasons for which he criticised the land revenue policy of the government an important one was his belief that it hampered the growth of large-scale capitalist agriculture.[176] In the same way, he was opposed to the imposition of restrictions on the right to transfer land mainly because of the fear that such restrictions would check the inevitable tendency towards 'concentration of the landed capital of the country'.[177]

Ranade therefore advocated that the future development of

173. *Ibid.*, p. 18. Also see *ibid.*, pp. 10-1, 13-4, 19, and *Essays*, pp. 325-7.

174. *Essays*, pp. 277-8.

175. *Ibid.*, pp. 267-70, 273-5.

176. 'The Agrarian Problem and Its Solution', *loc. cit.*, pp. 16-7.

177. *Essays*, pp. 326-7. He also wrote: 'The Country is in a transition stage, passing from semi-Feudal and Patriarchal conditions of existence into a more settled and commercial order of things.... No Economical Legislation can succeed under such circumstances, which seeks to run against the current, or stem the torrent. In all countries property, whether in land or other goods, must gravitate towards that class which has more intelligence, and greater foresight, and practises abstinence, and must slip from the hands of those who are ignorant, improvident, and hopeless to stand on their own resources. This is a law of Providence.... The utmost that Government can safely venture to do is to regulate this inevitable transfer, to temper the change so as to avoid all immediate hardships' (*ibid.*, pp. 325-6). It may be noted that Ranade was fully aware of the fact that the traditional moneylender took possession of the land so as to charge usurious rates of interest and not with a view to assuming the role of an agricultural entrepreneur ('Land Law Reform and Agricultural Banks', *loc. cit.*, p. 38).

agrarian relations in India should be based on the creation of two basic agrarian classes which would live side by side: (a) a large petty peasantry which would be free of all encumberances, whether of the state or the landlords, and which would be bolstered by a permanent and low land tax and the provision of cheap credit through agricultural banks; and (b) a large class of capitalist farmers and landlords who, being unhampered by any tenancy rights, etc., would be in complete possession of their land and in a position to invest capital and utilise the latest advanced techniques of. agriculture. In this respect he held up for approval and imitation the pattern of land ownership, based on the growth of absolute property both in the landlord class and in the peasantry, that had come into existence in Prussia by the middle of the 19th century.[178] In Prussia in 1860, he pointed out, 15 per cent of culturable land belonged to the state or the church, 44 per cent to large estate owners, 35 per cent to peasant proprietors, and 5 per cent to petty owners. Thus, he approvingly remarked, land had been divided equally 'between the rich landlords and the poor Free men', and the feudal serf had been converted into a free proprietor and the feudal lord into an unencumbered owner of his property.[179] Applying the lessons of Prussia to India, Ranade came to the conclusion that

> If this country sadly wants a proud and independent Yeomanry as the backbone of its strength and prosperity, it no less equally needs the leading and the light of Propertied men.... High and petty farming, with an upper ten thousand of the holders of large landed estates, and a vast mass of peasant farmers, this mixed constitution of rural society

178. *Essays*, pp. 264, 268-9. 276. Ranade did not commit the mistake of regarding the Bengal zamindars as the capitalist landlords of his scheme, mistake which many later Indian writers have made quite often. On the other hand, he thought that the situation in Bengal during the 19th century and in Prussia before the reforms of the first half of the 19th century was essentially similar because there was 'the closest resemblance between them (the Bengal zamindars) and the great Feudal Aristocracy of Prussia'. It was because of this resemblance that he advocated a careful study of the Prussian land question (*ibid.*, p. 259).

179. *Ibid.*, pp. 272-4.

is necessary to secure the stability and progress of the Country.[180]

Ranade also discussed the ways and means of bringing into existence the class of capitalist farmers and landlords. In this connection, he surmised that some of the thrifty independent ryots would slowly extend their position and rise to a better position.[181] He also hoped that many people from the moneyed classes would be attracted towards land and would buy the lands of the 'indifferent and lazy' ryots and thus come to perform the function of capitalist landlords.[182] This remedy would obviously be applicable to the ryotwari areas. For the zamindari areas of Bengal, Ranade suggested the copying of the Prussian land reforms. First of all he advised that all agrarian reforms in the zamindari areas should take place 'without any violent disruption of the economical relations of different Classes of Society, and without the shock of Revolution or internecine class struggles'.[183] One of the grounds on which he opposed the Bengal Tenancy Bill was that, as its inevitable consequence, 'class will be set against class'.[184] He was also opposed to any one-sided expropriation of the existing rights of the zamindars as, in his opinion, the Bengal Bill tended to do.[185] Moreover, he believed that abolition of any of those rights should be duly compensated.[186] Ranade's own scheme was in favour of harmonising the interests of the zamindars and ryots by raising both to the status of independent proprietors of the soil. He proposed that full proprietary rights should be conferred on the ryots but only over a part of the land under their tenancy and that, as the price of purchase of these rights, the

180. *Ibid.*, p. 287. Also see p. 290.
181. 'The Agrarian Problem and Its Solution', *loc. cit.*, p. 17.
182. *Ibid.*, and *Essays*, pp. 325-7.
183. *Essays*, pp. 274-5.
184. *Ibid.*, p. 276. Also see pp. 283, 287, 288.
185. 'The present proposals of the Bill', he alleged, 'simply confiscate the interests of one class to benefit another, and can only be justified on Socialistic or Communistic principles' (*ibid.*, p. 287). Also see pp. 279-80, 283, 289, 291.
186. *Ibid.*, p. 280.

ryots should resign all rights over the remaining part of the land in favour of the zamindars. Thus one part of the land under tenancy would be assigned in full ownership to the ryot and the other part, also in full ownership, to the landlord. If a balance was still due to the zamindar, he might be compensated over a certain number of years by means of payment of money rent charges.[187] In short, the zamindars should be paid compensation for the loss of zamindari rights and permitted to resume a part of the land under tenancy for personal cultivation. Under this scheme the absentee rent-receiving zamindars would be transformed into entrepreneurial capitalist farmers and landlords. Ranade also tried to give a more concrete shape to these proposals by proposing that in Bengal ⅔rd of the occupancy land and ½ of the non-occupancy land should be made over to the ryot in absolute right and 1/3rd of the occupancy land and ½ of the non-occupancy land should be handed over as personal land to the landlord. Since he believed that this division would leave the zamindar partially uncompensated, he further proposed that to redress the balance of rights and liabilities the ryot should continue to pay his old rent on the reduced holding for a period of thirty or forty years, 'so as to repay balance of purchase money with interest'. The government might help by advancing the money to the ryots to purchase outright their landlord's claims which, according to Ranade, would amount to about Rs. 340 crores.[188] Thus, Ranade hoped to 'achieve the liberation of the Ryots in Bengal in a generation or two without any violence to vested rights'.[189] It may be noted that the entire scheme of Ranade for the creation of independent peasants and capitalist landlords in Bengal was biased in favour of the zamindars, and that the land reforms he proposed were oriented not so much towards the creation of independent farmers as towards the transformation of the rent-receiving zamindars into capitalist landlords. Independent property in land was to be created not by distribu-

187. *Ibid.*, p. 284.
188. *Ibid.*, pp. 285-6.
189. *Ibid.*, pp. 286-7.

tion of land to the ryots, but by handing it over to the landlords. As a matter of fact, his plan of land reforms was so unfavourable to the tenants that it was unimaginable that they would prefer to exchange their status as tenants, protected or unprotected, for the new title of independent owners of land.

While vague support to Ranade's seminal plan for the institutional reorganisation of Indian agriculture was given by some of the Indian leaders when they asked for the union of capital and labour to develop the agriculture of the country,[190] more specific and detailed support was rather rare. One such occasion was the speech delivered by Deorao Vinayak at the Congress session of 1890 wherein he said that land should be held mainly by those who could afford to improve it and not by 'poor hand-to-mouth cultivators'. He claimed that agricultural wealth could be best increased 'by the creation of a class of small capitalists—a middle class in fact'.[191] As opposed to this support, Satis Chandra Mukherjea, editor of the *Dawn*, specifically opposed capitalist farming on the ground that it created unemployment and led to loss of self-respect on the part of the peasant.[191a]

IX. AGRICULTURE AND INDUSTRY

Some of the Indian leaders viewed the problem of development of agriculture and improvement of the economic condition of the peasant in the wider context of the Indian economy and arrived at the conclusion that progress in agriculture was vitally linked with the simultaneous and rapid industrial development of the country, and that unless the tendency towards the ruralisation of the country was reversed radically no amount

190. *Nasim-i-Agra*, 23 Aug. (*RNPPN*, 25 Aug. 1884); J. N. Bose, *Rep. INC for 1890*, p. 52; Resolutions III and IX of INC for 1891 and 1892; *Hindustani*, 8 Nov. (*RNPN*, 15 Nov. 1893); *Vibhudhranjani*, 25 March (*RNPM*, 15 Apr. 1896); Dutt, *Speeches* I, p. 161; C. Sankaran Nair in *CPA*, p. 385; *Swadesamitran*, 17 March (*RNPM*, 31 March 1900).

191. *Rep. INC for 1890*, p. 53. He went on to ask: 'Is it not better that those agriculturists, who are so poor that they can give nothing to the land, should be labourers rather than holders of the land? Is this not better for these men themselves, better for the land, better for the country?'

191a. *Dawn*, Apr. 1900, p. 268.

of 'tinkering' with the agrarian problem would serve a really useful purpose.

As the initiator of this point of view, Ranade argued, as early as 1881, that, since the malady from which Indian agriculture suffered lay 'deep in the heart of the political system', 'no mere external alleviation or dressing of the surface skin will prove of any avail'. What was needed, more than anything else, to remedy the situation was a diminution of the state burden on agriculture and a reduction of 'the pressure of the agricultural population on the land by the opening out of new avenues for labour and industry and surplus capital'.[192] Later, in 1892, in his address on 'Indian Political Economy', Ranade propounded the view that a country consigned for ever to dependence on agriculture would be condemned to remain poor and grow still poorer since agriculture had to work 'under the bane of the Law of Diminishing Returns' and, in India, 'under the disadvantage of an uncertain rainfall'.[193]

The close inter-dependence between agricultural and industrial progress was repeatedly stressed in a series of editorials by the *Mahratta* during 1881-84. On 4 September 1881, for example, it opined:

> There is a superfluity of agricultural labour in the agricultural labour market, and unless that is removed from it and employed elsewhere, no remedial measure to improve the wretched condition of the agriculturist will be productive of permanent good results. The development of agriculture and mechanical industry must be simultaneous.

Similarly, in its issue dated 12 February 1882 it argued that 'no mere legislation, no banks, not even the permanency of tenure would go to improve the condition of the peasantry

192. 'Land Law Reform and Agricultural Banks', *loc. cit.*, p. 42. With his usual comprehensive grasp, Ranade also took note of the reverse side of the equation: 'There is no doubt, however, that the impetus given to agricultural pursuits will in the end communicate itself to other industries, and lead to a many-sided development of the country's resources in a way which can not at present be anticipated' (*ibid.*, p. 53).

193. Ranade, *Essays*, pp. 25-6. Also see p. 207.

without the introduction of several industries', since no merely agricultural country could ever prosper.[194] This argument was echoed by the *Native Opinion* of 25 May 1884.

In 1895, P. C. Ray endorsed Ranade's view and declared that 'a nation of agriculturists will always compare most unfavourably with a nation of artisans and manufacturers'. The revival of the dying Indian industries and the introduction of the modern industries from the West so as to 'relieve agriculture of its redundant labourers' would be the best solution of the country's economic difficulties.[195]

G. V. Joshi blamed the over-crowding of agriculture for the unhealthy and excessive competition for land, which in turn forced up the rents to ruinous heights, led to sub-division of land, and weakened the ryot's motive to improve land.[196] Moreover, the over-crowding of agriculture resulted in the under-employment and enforced idleness of millions, or, in other words, in 'a ruinous waste of economic energy'. According to his calculations, more than half the rural population was in fact without proper work.[197] He, too, therefore recommended that non-agricultural industries should be developed 'to draw off the superfluous numbers'. 'The more the Ryot is relieved from the existing unhealthy and abnormal pressure by the opening up of such new outlets for labour, the freer the conditions of his work would be and the greater his chances of success', he maintained.[198] He also emphasised that so long as India remained dependent on the single industry of agriculture, 'the root of our economic difficulties will remain untouched'.[199] Tilak's *Kesari* affirmed both these contentions in its issues dated 18 June 1901 and 11 November 1902.[200]

194. Also see *Mahratta*, 23 Jan., 13 Feb., 17 July 1881, 1 Jan. 1882, 25 May 1884.
195. Ray, *Poverty*, pp. 97-8.
196. Joshi, *op. cit.*, pp. 350, 352, 870-2.
197. *Ibid.*, pp. 849, 851-2.
198. *Ibid.*, p. 368. Also see pp. 852-3.
199. *Ibid.*, p. 642.
200. *RNPBom.*, 22 June 1901 and 15 Nov. 1902 respectively. Also see *Kesari*, 10, 17 Nov. (*RNPBom.*, 14, 21 Nov. 1903); Resolution of the 12th Bombay Provincial Conference, *Mahratta*, 16 Nov. 1902.

G. Subramaniya Iyer also gave unequivocal expression to this line of thinking in his book, *Some Economic Aspects of British Rule in India*, published in 1903. Expressing his agreement with the Finance Minister of Russia, M. De Witte, that so long as a country remained a purely agricultural country it would not be able to 'get rid of periodic famines and general destitution', he alleged that in this respect India was even in worse position than Russia, since eight-tenths of its population was dependent upon agriculture and the rest 'mainly on cooly work or trivial unproductive occupations'. 'Until this serious anomaly in the economic condition of India is redressed', he wrote, 'the millennium will not arrive either to the peasant or to other classes. The present dead level of poverty will not be removed.' Industrialisation of the country was, therefore, 'the essential condition of India's prosperity'.[201]

201. G. S. Iyer, EA, pp. 64 6

CHAPTER XI

Public Finance, I

> There is no country possessing a civilised administration where taxation is so light.
>
> — JOHN STRACHEY

> There are, however, some things which are yet to be taxed, so that the triumph of the English may be complete. Among such things may be mentioned the skin of the Indian people and their atmosphere.
>
> — *The Kesari*, 31 January 1888

> In every country administered by a just Government it will be considered proper to impose taxes on the rich to a greater extent than on the poor, for only the rich are benefited by the organisation of the police, the establishment of judicial courts, the railways, the telegraph, etc. But if the Government of a country is in the hands of the upper classes, will they be so foolish as to impose taxes upon themselves?
>
> — *The Swadesamitran*, 18 February 1888

Next to the industrial and tariff policies of the Government of India and the problem of the 'drain', it was its financial policy that drew the severest fire from the Indian national leadership during the period under study. The determining features of Indian finance in this period were: the large increase in military expenditure as a result of the accentuation of Anglo-Russian rivalry in Asia and the consequent fear of a Russian invasion of India, the fall in the gold value of silver, rapid expansion of railway expenditure, and increasing taxation necessitated by the growth of expenditure as a result of all these factors. Even though in some of the years Indian Finance Members were able to show surplus budgets, as a whole these were years of financial disequilibrium and embarrassment and of taxes chasing and trying to keep abreast of expenditure and often failing in

the effort.[1] Surprisingly enough, however, even though year after year individual Finance Members bewailed their hard lot, a very sanguine view of India's finances was taken by British and British Indian statesmen whenever they discussed the topic in general. Thus, in 1893, in his book the *Indian Polity*, General Chesney went into raptures over 'the remarkable stability of Indian finance'.[2] After reviewing the Indian finances between 1878-98 James Westland boldly asserted in the Financial Statement for 1898-9 that 'the record of twenty years' finance which I have displayed in the above figures is a better one than can be shown by almost any country in the world but the United Kingdom'.[3] In 1901, George Hamilton, Secretary of State, expressed his sense of wonder and pleasure at the 'stability and recuperative power in the financial system of India'.[4]

The national leadership, on the other hand, took just the contrary view. For example, the *Amrita Bazar Patrika* of 30 March 1882 declared the financial system of India to be 'unsound from the top to the bottom'. At the National Congress of 1894, D. E. Wacha contended that it was bad finance which was 'at the root of our complaint', and that 'if India is lost to the British it will be on account of its miserable finances'.[5] In his Presidential Address to the Congress of 1895, Surendranath Banerjea, after quoting John Bright to the effect that the condition of the people of any country could be adjudged by examining its financial condition, declared that judged by this criterion India's condition was 'truly deplorable' since the

1. *Imperial Gazetteer of India* (1908), Vol. IV, pp. 165-9; Kale, *op. cit.*, pp. 12-6; P. J. Thomas, *Growth of Federal Finance in India* (Madras, 1939), pp. 239-54.

2. Chesney, *op. cit.*, p. 339.

3. Para 82.

4. 16 Aug. 1901, *Hansard* (4th Series), Vol. XCIX, c. 1208. Similarly Curzon had declared in 1899 that the presence of a budgetary surplus of 4 ¾ crores, in spite of adverse circumstances, was indicative 'not merely of uncommon powers of recuperation, but of a marvellous latent reserve of strength' (*Speeches* I, p. 76). Also see G. Hamilton, Hansard (4th Series), 4 Sept. 1895, Vol. XXXVI, c. 1702-05.

5. *Rep. INC for 1894*, p. 131.

financial position of India was 'one of ever-recurring deficit, and of ever-increasing debt'.[6] In his essay on 'The Present Financial Position', published in January 1896, G. V. Joshi firmly refuted the official contention that Indian finances represented a brilliant feat of financial skill and maintained that the country stood 'on the brink of a financial crisis of unprecedented magnitude and severity'.[7] The dangers of the situation were, moreover, aggravated by the fact that the existing state of affairs was not the result of the actions and mistakes of 'this or that individual administrator'; it was 'the *system*—the entire financial management of the country—which is responsible for the present difficulties'.[8] Similarly, G. K. Gokhale in his very first speech in 1902 on the Budget in the Imperial Legislative Council drew a harrowing picture of India's finances since 1885-6 and alleged that since that year 'our finances have been so managed as to lend support to the view that other interests take precedence of Indian interests in the administration of Indian revenues'.[9]

Starting with this critical view of the nature and management of India's finances, the Indian leaders examined at length the official fiscal policy and suggested alternative policies. In particular, they took up for examination, condemnation, and popular agitation every important act of the government that they thought to be an instance of the imposition of new taxes on the masses, or of unnecessary, wasteful, or non-welfare

6. S. N. Banerjea in CPA, p. 242. Also see his *Speeches III*, p. 12. Quoting the same passage from John Bright, P. C. Ray claimed in 1895 that according to Bright's standard 'England's rule in India stands self-condemned, self-impeached and self-censured' (*Poverty*, pp. 276-7).

7. Joshi, *op. cit.*, p. 207.

8. *Ibid.*, pp. 229-30. Joshi also refuted the suggestion that, because Indian revenues tended to balance expenditure, Indian finances could be said to be healthy. This balance was indicative not of financial health but of the despotic nature of the country's government. It only testified 'to the merciless vigour of the administration.... The reckless policy of a practically irresponsible and despotic bureau is permitted to determine the expenditure of the Empire and the expenditure so established is made to determine the level of public taxation, which, however, does not bear any normal relation to the tax-paying capacity of the people' (*ibid.*, p. 207).

9. Gokhale, *Speeches*, p. 21.

expenditure, or of injustice in the financial relations between India and Britain. And from each such instance they sought to draw appropriate conclusions regarding the nature and motivations of British rule in India.

I. TAXATION

The gross revenue of the Government of India increased from Rs. 74.3 crores in 1880 to Rs. 90.6 crores in 1893 and Rs. 172.2 crores in 1904.[10] But these figures contain an element of distortion in so far as they include, among other things, the gross railway receipts of state railways and irrigation projects and the net railway receipts on account of other railways. Moreover, certain other factors like changes in the unit of account also undermined the comparability of financial statistics from year to year.[11]

Opposite opinions were held by the British authorities and the national leaders regarding the burden of this revenue on the people. A preliminary objection was taken by most of the British writers and officials to equating the whole of government revenue with taxation.[12] Many of them, for example, tended to regard land revenue as state rent and not a tax.[13] Similarly, they denied that opium revenue constituted a tax on the people of India.[14] The Indian writers, on the other hand, classified nearly all the important items of government revenue as taxation. Dadabhai Naoroji, for instance, defined taxation as 'the amount which the government of the country takes for its administration, public debt, etc.' from the total

10. Vakil, *op. cit.*, pp. 607-08. The net revenue of the Government of India amounted to Rs. 46.86 crores in 1881-2 and Rs. 65.17 crores in 1904-05 (*Imperial Gazetteer of India*, 1908, Vol. IV, p. 201).

11. Chesney, *op. cit.*, pp. 326-8; Dutt, *EHII*, pp. 37-43; Vakil, *op. cit.*, pp. 85-91; and Thomas, *op. cit.*, p. 120.

12. See, for instance, *Report of the Indian Famine Commission*, 1880, Part II, p. 82; Fowler, *Hansard* (4th Series), 15 Aug. 1894, Vol. XXVIII, c. 1140; and Strachey, *India* (1903), pp. 120-1.

13. See the section on Land Revenue in Chapter XIV on 'Indian Political Economy'.

14. See below the section on Opium Revenue.

annual income of the country.[15] In view of the present accepted connotation of the term, the definition given by the Indian leaders may be taken as more correct.

The British administrators invariably asserted that India was very lightly taxed and that most probably it was the most lightly-taxed country in the world. For instance, in 1894 John Strachey, ex-Finance Member, confidently proclaimed, 'There is no country possessing a civilised administration where taxation is so light' as in India.[16] Curzon was no less sure of this position. Refuting G. K. Gokhale's assertion that taxation presses heavily upon the people of India, he sardonically remarked in 1902: 'If the Hon'ble Member were to transfer his residence to any European country, I expect that he would very soon be back again here, with altered views about fiscal matters.'[17]

The British administrators stressed in this respect the low incidence in sheer physical terms of taxation per head in India as compared to other countries and particularly in Britain. As early as 1860, James Wilson, the then Finance Member, had contrasted the tax burden of 5s. per head in India with that of £ 2. 3s. per head in England.[18] Eleven years later, the Viceroy. Lord Mayo, tried to prove the light character of taxation

15. Naoroji, *Poverty*, p. 60. He went on to add: 'You may call this amount taxation, revenue, or anything you like; and Government may take it in any shape or way whatsoever. It is so much taken from the income of the country for the purposes of Government. In the case of India, whether Government takes this amount as land-tax or opium revenue, or in whatever other form, does not matter, the fact remains that out of the total income of the country, Government raises so much revenue for its purposes which otherwise would have remained with the people' (*ibid.*). He reiterated this opinion a little later even more forcefully: 'Call this portion revenue, tax, rent, service, contribution, blessing, curse, or by any name from A to Z in the English vocabulary; the fact simply is, that the country has to give a certain proportion out of its income for purposes of Government.... No portion of it is rained down from heaven, or produced by some magic by the Government of the country' (*ibid.*, p. 220). Also see, Naoroji, *Speeches*, p. 316, Appendix, pp. 40ff.; Wacha in CPA, p. 539; Joshi, *op. cit.*, p. 223.

16. Strachey, *India* (1894), p. 395. Also see Chesney, *op. cit.*, p. 347.

17. Curzon, *Speeches*, Vol. II, p. 452. Also *ibid.*, Vol. III, p. 146.

18. Cited in Thomas, *op. cit.*, p. 77.

in India by stating that it amounted to only 1s. 10d. per head.[19] He, of course, deducted the land revenue, opium revenue, tributes and such other receipts from the total gross revenue of the government for arriving at this figure. Working on the same assumption, Henry Fowler, Secretary of State for India, asserted in 1894 that 'the taxation per head in India is something like 2s. 6d., or 1/20th the taxation of the United Kingdom and 1/13th of that of Ireland.'[20]

Interestingly enough, the increase in the revenues of India during the period 1880 to 1904—which, it was claimed, occurred without additional measures of taxation—was cited by the British Indian officials as a proof of the growing prosperity of the country.[21] 'The increase in the different branches of revenue indicates', asserted General Chesney, 'a gradual and steady, but moderate, advance from year to year in the general prosperity of the country.'[22] 'We have shown', proudly remarked Curzon in 1903, 'steadily improving revenues, large and increasing surpluses, advances in all the tests that indicate material prosperity.'[23] Some of the British officials further maintained that the burden of taxation as such had actually been going down since 1860.[24]

The Indian national leaders completely rejected these official contentions.[25] They emphatically asserted that taxation in India

19. Cited in Naoroji, *Poverty*, p. 58. The Famine Commission of 1880 calculated the burden of taxation in India to be 4s. per head (*Report of the Indian Famine Commission*, 1880, Part II, p. 93).

20. *Hansard* (4th Series), 15 Aug. 1894, Vol. XXVIII, c. 1140. According to Edward Law, the Finance Member, the incidence of taxation in 1904 was only Rs. 1.42 per head (*LCP*, 1904, Vol. XLIII, p. 534). Also see Strachey, *India* (1903), p. 120.

21. See above, Chapter I.

22. Chesney, *op. cit.*, p. 328. Also p. 331.

23. Curzon, *Speeches*, Vol. III, p. 148. Also G. Hamilton, *Indian Debates*, 3 Feb. 1902, c. 106; Law, *Financial Statement*, 1903, para 35.

24. Strachey, *India* (1903), p. 119; Westland, *LCP*, 1895, Vol. XXXIV, p. 436.

25. For example, Surendranath Banerjea sarcastically commented in his Presidential Address to the Indian National Congress of 1895: 'Even in the domain of romance there is not a prettier picture, but the illusion quickly disappears when the searchlight of scrutiny is turned upon it' (in *CPA*, p. 702).

was a crushing and unbearable burden beyond the capacity and resources of the country and that it had reached its uttermost limits. The oppressiveness of the burden of taxation was, as a matter of fact, one of the regular items in the nationalist charge-sheet against British rule, and it moved many an Indian leader to express himself on the subject in strong, bitter and angry language.

As early as 1838, we find the Young Bengal complaining, among other things, against 'the enormous taxation to which the country is subjected'.[26] In 1871, the Bombay Association submitted a petition to the House of Commons alleging that 'over-taxation has, for many years of British Rule, been the bane of India'.[27] In 1879, Surendranath Banerjea contended that it must be 'apparent even to the most cursory observer that the furthest limit of taxation has been reached in this country and that any further attempt to levy fresh burden might be the straw which would break the camel's back'.[28] Similarly, Ranade remarked in 1880 that 'further increase of taxation must be adjured as political insanity'.[29] Opining that there was 'a limit beyond which it is impossible to push taxation' and that there were 'many evidences to show that India has reached that limit', the *Amrita Bazar Patrika* gave the following warning in its issue of 27 August 1885: 'When thoughtless rulers push beyond that limit they bring about a rebellion, or if the people are too weak for that, nature herself intervenes and gives unmistable evidence of her wrath. That the limit has been over-stepped in India is evidenced by the fact of successive famines.' Even at the first Indian National Congress taxation was the subject of many a bitter comment. Dadabhai Naoroji accused the rulers of 'screwing out more and more taxes, like

26. *Hindu Pioneer*, quoted in Bimanbehari Majumdar, *History of Political Thought from Rammohan to Dayananda (1821-84)*, Vol. I (Cal., 1934), p. 91.

27. Quoted in Dutt, *EHII*, p. 385. Also see Naoroji, *Speeches*, Appendix D.

28. S. N. Banerjea, *Speeches I*, p. 203.

29. 'Review of Fawcett's "Three Essays on Indian Finance",' *JPSS*, Vol. III, No. 1 (July 1880), p. 80. We have G. A. Mankar's authority that the review was written by Justice Ranade (Mankar, *op. cit.*, p. 214).

squeezing a squeezed orange—inflicting suffering and distress'.[30] Besides, Tilak's *Kesari* remarked in its issue of 31 January 1888 that 'No article in India has escaped taxation. Even the foliage of trees has been taxed'. Waxing sarcastic, the *Kesari* suggested: 'There are, however, some things which are yet to be taxed, so that the triumph of the English may be complete. Among such things may be mentioned the skin of the Indian people and their atmosphere.'[31] The *Satya Mitra* of 9 February 1888 warned that the government must 'fully bear in mind that even the meek cow can, if enraged, tear the elephant to pieces or will kick the milkman if he attempts to milk after she has yielded the whole of the milk in her udder'. And in an almost seditious tone, it threatened: 'The queen of Jhansi, Nizam Ul-mulk, Chimnaji Appa, Bajirao, Tatya Topi and other heroic personages are, though in history, still brandishing their swords before the world and giving evidence of our heroism.'[32] R. M. Sayani, the Congress President for the year 1896, was equally convinced that 'the ability of the country to bear any fresh taxation is exhausted'.[33] Similar sentiments and opinions were expressed by many other nationalist leaders over the years.[34]

30. Naoroji, *Speeches*, p. 116.

31. *RNPBom.*, 4 Feb. 1888. Writing in the same vein, the *Hindi Pradip* of 1 January 1879 had remarked: 'The blesed feet of our Government have undoubtedly the efficacy that, wherever they happen to go, the earth and the meanest things of that place become valuable sources of revenue' (*RNPPN*, 11 Jan. 1879).

32. *RNPBom.*, 11 Feb. 1888. In its issue of 5 March 1888, the same paper ironically advised the Government to plunder the people to make up its deficit as also to tax the air, fairs, marriages and prostitutes (*RNPBom.*, 10 March 1888).

33. In *CPA*, p. 354. Also see pp. 351 and 367. Two years later, Sayani warned that 'to enhance existing taxation or levy further taxes will be a matter of political danger, as the people of India cannot afford to pay more' (*LCP*, 1898, Vol. XXXVII, P. 531).

34. See, for example, *Indian Spectator*, 24 Oct. (*RNPBom.*, 30 Oct. 1880); 'Review of the "Indian Salt Tax" ', *JPSS*, July 1881 (Vol. IV, No. 1), p. 60; *Navavibhakar*, 7 Jan. (*RNPBeng.*, 12 Jan. 1884); *Sanjivani*, 6 March, *Sadharani*, 7 March (*ibid.*, 13 March 1886); *Maharashtra Mitra*, 9 Sept. (*RNPBom.*, 18 Sept. 1885); S. V. Subbarayudu, *Rep. INC for 1885*, p. 70; Malaviya, *Speeches*, pp. 220-1, 281; *Hindu*, 29 Aug. 1887; *Bengalee*, 3 Sept. 1887; *Indian*

The Indian leaders further complained that not only was taxation in India high but it was constantly on the increase.[35] For example G. V. Joshi calculated in 1896 that the burden of taxation proper, even after excluding Railway and other commercial receipts, had increased by 35 per cent during the period 1883-4 and 1895-6.[36]

To prove their contention that the burden of taxation in India was very heavy, the Indian leaders, like their official adversaries, appealed 'to the testimony of figures'. But this testimony they interpreted in their own way. They did accept that the absolute amount of taxation per head was very small. But, they argued, the incidence of taxation was not to be judged from absolute figures of what was taken from a person irrespective of his income. Here not the amount of taxation per head but the proportion it bore to per capita income was significant. If in India taxation was low, the national income was lower still. Seen in this light, the Indian leaders said, taxation in India turned out to be very heavy and oppressive indeed. Dadabhai Naoroji was the chief architect of this line of argument, which he evolved as early as 1871 in his statement to the Select Committee on East India Finance. He contended that the incidence of taxation was about 8 per cent in England and about 16 per cent in India.[37] He, as well as other

Spectator, 28 Aug., 11 Sept., *Dnyan Prakash*, 29 Aug., *Indian Union*, 31 Aug., *Behar Herald and Indian Chronicle*, 3 Sept., *Subodh Patrika*, 4 Sept., *Indu Prakash*, 5 Sept., *Indian Nation*, 5 Sept., and many other Indian newspapers (*VOI*, Oct. 1887); *Bodh Sudhakar*, 25 Jan. (*RNPBom.*, 28 Jan. 1888); *Mahratta*, 22 Jan. 1888; *Hitavadi*, 22 March (*RNPBeng.*, 30 March 1895); *Bangabasi*, 20 Apr. (*ibid.*, 27 Apr. 1895); Ray, *Poverty*, p. 260; Tilak, *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXXIII, pp. 90-1; P. Mehta, *Speeches*, pp. 447-8; G. V. Joshi, *op. cit.*, pp. 203, 228-9; *Tribune*, 16 Jan. (*RNPP*, 25 Jan. 1902); S. N. Banerjea in *CPA*, pp. 259, 700; Gokhale, *Speeches*, pp. 6-7, 21, Appendix pp. 1169 and 1178; Naoroji, *Speeches*, Appendix p. 51; Nundy in *Indian Politics*, p. 120; L. M. Ghose in *CPA*, pp. 747, 756; Dutt, *EHII*, pp. 559, 603.

35. Ray, *Poverty*, pp. 256-8; Joshi, *op. cit.*, pp. 221-6; P. Mehta, *Speeches*, p. 448; Sayani in *CPA*, p. 348; Wacha in *CPA*, p. 611; S. N. Banerjea in *CPA*, p. 700; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18965, and *EA*, pp. 38-40; Malaviya, *Speeches*, pp. 219-20, 291; Dutt, *England and India*, pp. 141-2, *EHII*, pp. 383-4; Gokhale, *Speeches*, p. 6.

36. Joshi, *op. cit.*, p. 223.

37. Naoroji, *Speeches*, Appendix p. 182.

nationalist leaders, repeated this figurative representation of their case over the years, though they often varied the percentages.[38]

Some of the Indian leaders further felt that even this ratio of taxation to income failed to bring out properly the real heaviness of the burden. Taxation, they said, must be further correlated to the over-all capacity of the people to bear the taxes. It was one thing to take a certain percentage of income as tax from a poor person and quite another to take the same percentage from a rich one for the tax would definitely impinge with much greater harshness on the standard of living of the former. This line of reasoning found a clear and distinct enunciation in the writings of Dadabhai Naoroji, who used it to resolve the apparent paradox in the nationalist position, viz., the admittedly low per capita taxation crushing the Indian people. He elucidated this point in his statement to the Select Committee on East India Finance in 1871:

> It must, moreover, be particularly borne in mind that, while a ton may not be any burden to an elephant, a few pounds may crush a child; . . . The capacity to bear a burden with ease, or to be crushed by it, is not to be measured by the percentage of taxation, but by the abundance, or otherwise, of the means or income to pay it from. From abundance you may give a large percentage with ease; from sufficiency, the same burden may be just bearable, or some diminution may make it so; but from insufficiency, any burden is so much privation.[39]

He repeated this formulation in his paper on the 'Poverty of

38. Naoroji, *Speeches*, pp. 141, 156-7, 189, 292-4, 592, Appendix p. 38, *Essays*, p. 374, *Poverty*, pp. 60-1, 221; *Indian Spectator*, 24 June (RNPBom., 30 June 1883); Telang, *Selected Writings and Speeches* (Bombay, 1885) (hereafter referred to as *Speeches*), p. 222; S. N. Banerjea, *Speeches III*, p. 143, and in CPA, p. 703; Ray, *Poverty*, p. 259; Savani in CPA, pp. 347-8; Nundy in *Indian Politics*, p. 110; L. M. Ghose in CPA, p. 756; Dutt, *EHII*, pp. 603-04; A. Mukerjea, *LCP*, 1904, Vol. XLIII, pp. 423-4. See also P. Mehta, *Speeches*, pp. 447-8, 451-2; Malaviya, *Speeches*, pp. 276, 279-80, 291-2; *Dnyan Prakash*, 2 Apr. (RNPBom., 4 Apr. 1903).

39. Naoroji, *Speeches*, Appendix p. 183.

India' and later on expounded it in numerous speeches, etc.[40] R. M. Sayani, President of the Indian National Congress in 1896, echoed Dadabhai's reasoning in very clear terms in his Presidential Address.[41]

This line of thought, when applied to India, led Dadabhai to declare that not only was the pressure of taxation in India double that of England but it was in fact far more oppressive, as it was 'exacted from poverty'.[42] Similarly R. M. Sayani concluded that 'the ratio of 16½ per cent, of taxation to income, in the case of India, though nominally only two-and-a-half times higher than the ratio in the case of England, is, in incidence, considerably more heavy, and India is therefore, in reality, worse off than the ratio indicates'.[43] K. T. Telang, Madan Mohan Malaviya, G. K. Gokhale, R. C. Dutt and several other leaders also correlated in a similar fashion the poverty of the country and the burden of taxation.[44] In 1896, G. V. Joshi laid down the perfectly sound doctrine that no increase of taxation should take place unless the total national product was growing, and claimed that in India the former was increasing while the latter was declining.[45] Dadabhai Naoroji and Madan Mohan Malaviya put the same proposition in slightly different words when they repeatedly asserted that the Indians would gladly pay higher taxes if only these followed increasing national income.[46]

40. Naoroji, *Poverty*, pp. 60-1, 221-2, and *Speeches*, pp. 156 and 293-4, for instance.

41. In *CPA*, p. 348.

42. Naoroji, *Speeches*, p. 157. He told the Welby Commission on the Expenditure of India that taxation of the Indian peasantry was oppressive, 'simply from this point of view, that it becomes oppressive' (*Speeches*, Appendix p. 51). Also *Poverty*, pp. 221-2.

43. In *CPA*, p. 348.

44. Telang, *Speeches*, p. 223; Malaviya, *Speeches*, pp. 30-1; Gokhale, *Speeches*, pp. 15, 21; Dutt, *EHII*, p. 572; Ray, *Poverty*, pp. 258-9; Wacha, *Speeches*, Appendix p. 32; Bishambhar Nath, *LCP*, 1897, Vol. XXXVI, p. 182; A. Mukerjea, *LCP*, 1904, Vol. XLIII, p. 424.

45. Joshi, *op. cit.*, p. 226. Also see Malaviya, *Speeches*, pp. 219 and 291.

46. Naoroji, *Speeches*, pp. 116, 316, 361, 609, Appendix p. 21; Malaviya, *Speeches*, pp. 219 and 291. Also see Tilak, *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXXIII, p. 91; Dutt, *Speeches II*, pp. 83-4; *Gujarati*, 22 March (*RNPBom.*, 28 March, 1903).

The Indian leaders also cited as a pragmatic demonstration of their contentions an array of quotations from English authorities to the effect that there was no margin of taxation left for the government to fall back upon in the hour of necessity and that India could not be taxed without bringing about an economic and political disaster.[47]

Later, when budgetary surpluses began to appear, they were advanced by the nationalists as yet another proof of the fact that 'more taxes are wrung from the people than are right, necessary or advisable'.[48] G. K. Gokhale, who made an analysis of the recurring surpluses the central theme of his budget speech in 1902, started his onslaught on the financial policy of the Government of India by declaring that these surpluses illustrated 'in a painfully clear manner the utter absence of a due correspondence between the condition of the people and the condition of the finances of the country'. It was obvious that 'the weight of public taxation has been fixed and maintained at an *unjustifiably* high level'; and thus 'the apparent paradox of a suffering country and an overflowing treasury stands easily explained'.[49]

Some of the economists among the national leaders also looked into the question of the distribution of the burden of taxation among the various classes of people. A detailed inquiry into the incidence of taxation conducted by the Finance Department of the Government of India in early 1880's had shown 'most conclusively' that the major burden of taxation in India fell mainly upon the poorer classes.[50] The na-

47. Naoroji, *Poverty*, p. 61, *Speeches*, pp. 131, 528; Ray, *Poverty*, pp. 260-1; Malaviya, *Speeches*, p. 221; Nundy in *Indian Politics*, p. 120; Dutt, *EHII*, p. 377; G. S. Iyer, *EA*, p. 10.

48. G. S. Iyer, *EA*, p. 45. Also P. Mehta, *Speeches*, pp. 574-5, 604.

49. Gokhale, *Speeches*, pp. 1-2, 8-9. Also pp. 6-7, 21, 71, 74, and 101. Also see Gokhale, *Rep. INC for 1904*, pp. 170ff.; Wacha in *CPA*, pp. 610-1; S. N. Banerjea in *CPA*, p. 700; Resol. VIII of the INC for 1904.

50. Rivers Thompson, *LCP*, 1882, Vol. XXI, pp. 313-4. According to the Indian Famine Commission of 1880 the burden of taxation per head on separate classes was £.273 for the landed classes, .085 for agricultural labourers, .164 for traders and officials, and .1 for artisans. For the purpose

tionalist economists concurred with this view and strongly criticised the system of taxation for its regressive character, that is, for its tendency to bear more heavily upon the poor than upon the rich. As early as 1871, Dadabhai Naoroji took the government to task for exacting more from the cultivators than from other classes of people and sarcastically enquired: 'Or is it that, because richer interests can resort to agitation, and make themselves heard, while the poor labourer and cultivator cannot, it is felt easier to squeeze them than the other classes?'[51] G. V. Joshi discussed the question at length in April 1888 in his essay, 'The Burmah Deficit and the Enhancement of the Salt Duties'. Condemning the Finance Member for following the policy of taxing the poor 'while letting off rich Zamindars and his rich friends, the tea-planters,'[52] Joshi bemoaned the inequity of a system of taxation under which 'the richer few, who profited most by British administration, British justice and British peace, paid least, while the poorer millions, who profited least, paid most'. He also pointed out that the inequality of the burden of taxation existed not only as between one class and another but also as between 'the "classes" in the cities and the "masses" in the country'.[53] As a guide to future action, he advised the government to accept as its first duty the rectification and removal of the inequalities in the distribution of public taxation.[54] Earlier in 1886, he had laid down the following principle of taxation:

> And in all financial discussions, the one question for the practical financier is not, whether the total burden of taxation is heavy or light on the general population, — which is a point of practical politics, — but whether, taking the whole body of public burdens, it is equally and equitably

of this calculation, the Commission included, much against its own wishes, land revenue within total taxation (*Report of the Indian Famine Commission*, 1880, Part II, p. 93).

51. Naoroji, *Speeches*, Appendix p. 177.

52. Joshi, *op. cit.*, p. 152. Also see pp. 89, 130, 142.

53. *Ibid.*, p. 164.

54. *Ibid.*, p. 185. Also p. 165.

> distributed;... (and) the weight of it falls on all classes in just and equitable proportion to their ability to pay.[55]

Pleading for the enhancement of the income tax in place of an increase in the salt tax, the *Swadesamitran*, owned and edited by G. Subramaniya Iyer, in its issue dated 18 February 1888, echoed Joshi's thoughts as follows:

> In every country administered by a just Government it will be considered proper to impose taxes on the rich to a greater extent than on the poor, for only the rich are benefited by the organisation of the police, the establishment of judicial courts, the railways, the telegraph, etc. But if the Government of a country is in the hands of the upper classes, will they be so foolish as to impose taxes upon themselves?[56]

In its next issue, dated 25 Feb. 1888, the *Swadesamitran* laid down the doctrine that 'that only can be called a just Government which relieves the poorer classes from their distress and derives its revenue by taxing the upper and middle class'.[57] Similarly, the public meeting of the inhabitants of Poona held under the auspices of the Poona Sarvajanik Sabha on 18 March 1888 to protest against the enhancement of salt tax complained in its memorial that the poor in India were already heavily taxed while the higher and more wealthy enjoyed 'comparative exemption and relief'.[58] Prithwis Chandra Ray was equally vehement in his criticism of the unequal incidence of taxation and called it 'the greater canker'. After analysing in detail the incidence of salt tax, income tax, and land revenue, he concluded that 'all the burden of mismanaged finance is ultimately laid on the back of the poor'.[59] Later, in his budget

55. *Ibid.*, p. 91. Also see pp. 100, 149.
56. *RNPM*, 29 Feb. 1888.
57. *Ibid.*
58. *JPSS*, Jan-Apr. 1888 (Vol. X, Nos. 3-4), p. 21. Similarly, the *Sanjivani* of 4 Feb. 1888 pointed out that 'the rich in this country, instead of being adequately taxed, do not even pay as much tax as the poor do' (*RNPBeng.*, 11 Feb. 1888).
59. Ray, *Poverty*, pp. 261 and 274. Later, in 1901, he recommended that the burden of taxation on the poor should be reduced, even if that had to be done by shifting the burden to the shoulders of the well-to-do (*Indian Famines*, p. 67).

speech of 1903, Gokhale also expressed the opinion that any proposed relief in taxation should go to the poorer classes because they contributed to the exchequer 'much more than they should, relatively to their resources'.[60]

Interestingly enough, this somewhat radical point of view got a strong backing from J. N. Tata, one of the leading Indian industrialists of the day. In a letter to the London *Daily Chronicle* in 1895, he wrote:

> I have always held the opinion that all taxation in India bears most heavily on the poor and most lightly on the well-to-do classes. Those whose life and property require the greatest protection from Government have the least to pay for it, while those who have nearly nothing to lose, even by a change of Government, have often to forego their meals to pay the dues of Government.[61]

The wide support that all sections of nationalist opinion gave to this line of thinking will be further brought out in the examination of the Indian attitude towards the salt tax and the income tax, wherein it is shown that most of the Indian leaders upheld the view that if people had to be taxed it was the rich and not the poor who should be taxed.[62]

II. INJURY CAUSED BY TAXATION

In the Indian view over-taxation was one of the major and immediate causes of the extreme poverty of India and even of the oft-recurring famines. The tone of nationalist comment in this regard was set by Dadabhai Naoroji, who, in his 'Memorandum on a Few Statements in the Report of the Indian Famine Commission, 1880', contended that heavy taxation was responsible for the 'starvation and death of millions'.[63]

60. Gokhale, *Speeches*, p. 40. Also see Gokhale, *Proceedings of the Council of the Governor of Bombay*, 1900, Vol. XXXVIII, p. 94; *Som Prakash*, 24 July (*RNPBeng.*, 29 July 1882); S. N. Banerjea in *CPA*, p. 704; Dutt, *England and India*, p. 163; *Kesari*, 31 March (*RNPBom.*, 4 Apr. 1903).

61. Quoted in Ray, *Poverty*, pp. 274-5.

62. See, for instance, Joshi, *op. cit.*, pp. 100, 140-2, 161-6.

63. Naoroji, *Poverty*, p. 222.

This view was reiterated over the years by innumerable nationalist publicists and pressmen of India,[64] and was finally adopted by the Indian National Congress as one of its official creeds in 1896, when it declared that the recent famines were due to 'the great poverty of the people' that had in turn been brought on, among other causes, by 'excessive taxation and over-assessment'.[65]

What is of even greater interest is that, in addition, some of the Indian leaders—and G. V. Joshi above all—very penetratingly condemned high taxation from the point of view of Indian industry and the Indian entrepreneur. They declared that high taxation hampered the process of capital formation and thus made economic development of the country difficult, if not well-nigh impossible.

It was in 1888 that G. V. Joshi first asserted that heavy taxation by the state 'greatly interferes with the growth of the wage fund and rise of wages'.[66] Later, in 1890, in his long article on the 'Economic Situation in India', he observed that one of the hardships from which 'the industrial worker' in India suffered was the insufficiency of capital, which in turn arose, *inter alia*, from the fact that 'the low margin for savings out of our gross earnings is further reduced by *heavy taxation*'. He calculated that the net national savings (gross production minus necessary expenditure of the people for maintenance) amounted to Rs. 90 crores per year, out of which the government took away Rs. 50 crores as taxes. Thus more than one

64. For example, Joshi, *op. cit.*, pp. 185, 221, 228; Ray, *Poverty*, p. 241; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18646; Malaviya, *Speeches*, pp. 250-2, 281; Dutt, *England and India*, p. 133, *Speeches I*, p. 27; R. N. Mudholkar, *Rep. INC for 1901*, p. 83; *Dnyan Prakash*, 16 Jan. (*RNPBom.*, 18 Jan. 1879); *Bodh Sudhakar*, 22 Jan. (*ibid.*, 29 Jan. 1879); *Navavibhakar*, 7 Jan. (*RNPBeng.*, 12 Jan. 1884); *Sanjivani*, 18 July (*ibid.*, 25 July 1885); *Sadharani*, 7 March, *Sanjivani*, 6 March (*ibid.*, 13 March 1886); *Hitavadi*, 13 July (*ibid.*, 21 July 1900); G. S. Iyer, *Rep. INC for 1900*, p. 29; *ABP*, 18 March 1901; *Advocate*, 2 Feb. (*RNPN*, 4 Feb. 1905).

65. Resol. XII. Similar resolutions, couched in more or less identical language, were passed by the Congress in the following years. See Resol. IX of 1897, Resol. VIII of 1901, Resol. III of 1902, and Resol. III of 1904.

66. Joshi, *op. cit.*, p. 185.

half of the national annual savings was '*swept into the public treasury* to meet, what is for the most part, more or less non-productive expenditure'. There could obviously be no 'greater economic evil than such a heavy drag upon our industrial progress'.[67] These sentiments were echoed by G. K. Gokhale in his first budget speech (1902). The object to be worked for in Indian finance, opined Gokhale, should be 'to keep the level of taxation as low as possible, so as to leave the springs of national industry free play and room for unhampered movement.'[68]

As a matter of fact, many of the Indian leaders raised their demand for low taxation to the level of a theoretical principle, linking it up with the peculiar economic and political conditions of India. This is very well brought out by the *Amrita Bazar Patrika* of 7 February 1871 which laid down the simple dictum:

> Since the people do not tax themselves and they have no control over the finances of the empire, their cry should be for reduction and not for increase of taxation. A constant and firm demand for reduction is in our humble opinion the only wise policy which a people without a Parliament ought to adopt.

G. V. Joshi emphatically pronounced in 1886 that in India because of 'the peculiar conditions of British rule', it was 'essential to the material and moral progress of the nation that the weight of public burdens should be as light as possible'.[69] When after 1898 surpluses began to appear regularly in the Indian budgets, most of the Indian leaders demanded remission of taxation.[70] In 1902 Surendranath Banerjea remarked that when the general taxpayer in a country was 'the

67. *Ibid.*, pp. 793-5. Also pp. 824, 1136. It should, however, be kept in view that Joshi included agriculture within his definition of industry.

68. Gokhale, *Speeches*, p. 13. Also see S. N. Banerjea in *CPA*, p. 710.

69. Joshi, *op. cit.*, p. 1.

70. G. S. Iyer, *EA*, pp. 42-3; Gokhale, *Speeches*, pp. 4, 15, 21, 73; Dutt, *EHII*, pp. 559, 596-7; S. N. Banerjea in *CPA*, pp. 691, 700-02; Resol. VIII of INC for 1904.

starving ryot', the remission of taxation became 'a matter of paramount obligation on the part of the rulers of the land'.[71] The case for low taxation was lucidly put forth by G. K. Gokhale in his speech on the budget for 1905-06:

> In all countries, it is an accepted canon of finance that the weight of public burdens should be kept as light as possible. ...If this is so in rich European countries, it should be much more so in India, where the revenue is raised from a poor, helpless population, and the larger part is contributed by a broken and exhausted peasantry, and where, owing to the special circumstances of the case, the character of public expenditure is such that a great portion of it has to be spent on objects unconnected or but remotely connected with the moral and material advancement of the people.[72]

III. SOME FACTORS IN THE INDIAN ATTITUDE

Many factors were responsible for the growing popularity of the idea that the country was overtaxed. According to C. N. Vakil, during 1871-1901 the incidence of taxation in India ranged between 8 to 9 per cent of the average national income.[73] Secondly, over taxation or a high level of taxation does create much more hardship in an economically backward country than in a developing country, since it results in 'the forcible expropriation of peasants, artisans, and in a word, all elements of the lower middle-class'. This phenomenon was fully evident in India during the later half of the 19th century. Thirdly, there was no sentiment of patriotism or social consciousness backing the existing level of taxation. On the contrary, the Indian leaders apprehended, as will be brought out later, that because of the foreign nature of the Government of India any revenue in excess of the minimum requirements of admin-

71. In CPA, p. 700.

72. Gokhale, *Speeches*, p. 101.

73. Vakil, *op. cit.*, p. 533. Admittedly, this is a rough estimate, but it is adequate, I feel, for the purpose in hand. Moreover, we have the testimony of many high official spokesmen that India's capacity for bearing any additional taxation was completely exhausted. See, for instance, Elgin, *Speeches*, p. 490.

istration would be diverted to Imperial purposes. Fourthly, the Indian leaders objected to the government's method of raising Indian revenues through taxes on land and salt and through an excise duty an liquor. Lastly, they correlated the level of taxation with the manner of its utilisation. After all the Government of India acted rigidly within the narrow orbit of the *laissez faire* theory of the functions of the state and did not undertake any large-scale development activity in those years.

IV. SOURCES OF REVENUE

We will now proceed to examine the attitude of the Indian national leaders towards the chief sources of revenue of the Government of India—which at the time were land revenue, salt tax, opium and excise revenue, customs revenue, and income tax.[74] The bitter opposition offered by the Indian national leaders to the existing extent of, and any increase in, land revenue, and their vigorous advocacy of raising funds through imposition of import duties on selected products have been discussed at length in earlier chapters. In the following pages their stand regarding income tax, salt tax, and opium and excise revenue has been presented and analysed.

V. INCOME TAX[75]

At the time of the commencement of the period of our study, i.e., in 1880, a modified form of income tax, known as licence tax, was being levied in India. A beginning in this direction had been made in 1860, when James Wilson, the first Finance Member, had imposed a tax on all annual incomes above Rs. 200 arising out of trade, agriculture, professions and government or

74. In 1880, land revenue amounted to 21.1 crores, salt tax to 7.1 crores, opium revenue to 10.4 crores, excise revenue to 3.1 crores, customs revenue to 2.5 crores and income tax (license tax) to .5 crores. In 1904, these revenues amounted to 28.3 crores, 7.9 crores, 9.0 crores, 7.9 crores, 6.4 crores and 1.8 crores respectively (P. J. Thomas, *op. cit.*, p. 498).

75. For a brief history of the license tax and income tax, see J. P. Niyogi, *The Evolution of the Indian Income Tax* (London, 1929); Pramathanath Banerjea, *A History of Indian Taxation* (Cal., 1930); and V. K. R. V. Rao, *Taxation of Income in India* (Cal., 1931).

non-government service. Frequent changes were made in the tax, which was finally abandoned in 1865, with the announcement that it was to serve as 'the great financial reserve of the country'.[76] After that year, taxation of personal incomes was several times resorted to, abolished, and again taken up, though in varying forms.

In 1878, the Government of India finally made up its mind to make 'due fiscal provision' to face the by-now regular famines by creating a long-term Famine Insurance Fund, money for which was to be raised partly by the imposition of special cesses on land revenue and rent and partly by the levy of a licence tax on the commercial and trading classes and artisans. No central legislation was enacted for the purpose, recourse being had to a series of provincial measures. The so-called licence tax was 'in fact a limited income-tax assessed on a system of classification according to approximate income'.[77] Agricultural, professional, and salaried incomes, as well as income from securities, were exempted from the purview of the tax. The extent and nature of the tax varied from province to province. In North-West Provinces, Oudh, and Madras the taxable minimum was Rs. 200, while in Bengal, Bombay, and the Punjab it was Rs. 100. Incidence of the tax varied according to the classes into which the assessees were divided, but in no case was it to exceed 2 per cent of the annual profits of the assessee or Rs. 500. An abortive attempt was made by the government in 1879-80 to extend the tax to professional and salaried persons. In 1880, the limit of exemption from the tax was raised to Rs. 500. At this time the tax yielded over half a million sterling and was paid by 228,447 persons.[78]

The licence tax was generally opposed by the Indian leaders at the time of its imposition,[79] and they continued to demand

76. Finance Member, Charles Trevelyan, quoted in P. Banerjea, *Indian Taxation*, p. 94.

77. John Strachey and Richard Strachey, *The Finances and Public Works of India*, p. 197.

78. P. Banerjea, *Indian Taxation*, p. 72.

79. Papers covered by RNPBom. for 12, 19, 26 Jan., 2 Feb. 1878, RNP Beng. for 12, 19, 26 Jan., 2 Feb., 2, 23 March 1878, RNPM for Apr. 1878,

its abolition in the later years.[80] It should, however, be kept in view that they mainly attacked, not the principle underlying the levy of the licence tax, but the manner of its imposition, which was declared by them to be iniquitous and unfair. First of all, they criticised the tax for 'descending very low in the scale of incomes' and thus falling on a large number of poor persons. In fact, some of them were of the opinion that the tax fell too heavily on the poor while leaving the rich relatively free. For example, the *Indu Prakash* of 14 January 1878 questioned the fairness of a tax which touched the pockets of the big and influential men, traders and men of business, who were mostly Europeans, so lightly while putting the main burden on the small traders and artisans, who were mostly Indians.[81] Similarly, the *Indian Spectator* of 23 October 1881 described the tax as a hybrid monster, half coward, half bully, passing by the richest and those most enjoying the benefits of good government and sucking the blood of small traders.[82] The nationalist newspapers also pointed out that the poor were further hit by the tendency on the part of the petty officials

RNPPN for 19, 26 Jan., 2, 9, 16, 23 Feb., 9, 16 March, 6 Apr. 1878; L. M. Ghose, *Speeches*, p. 6.

80. See, for example, *Brahmo Public Opinion*, 1, 8 Jan. 1880; *Bengalee*, 4 Dec. 1880; *Navavibhakar*, 1 March (*RNPBeng.*, 6 March 1880); *Vivekabardhini*, No. 12 (*RNPM*, March 1880); *Bombay Samachar*, 11 Dec. (*RNPBom.*, 11 Dec. 1880); *Rast Goftar*, 27 March, *Jame Jamsed*, 1 Apr. (*ibid.*, 2 Apr. 1881); *Indian Spectator*, 3 Apr. (*ibid.*, 9 Apr. 1881); *Native Opinion*, 17 Apr. (*ibid.*, 23 Apr. 1881); *Indian Spectator*, *Native Opinion*, 12 March (*ibid.*, 18 March 1882); *ABP*, 16 March 1882; *Akhbar-i-Am*, 12 Apr. (*RNPPN*, 19 Apr. 1882); *Rahbar-i-Hind*, 24 Apr. (*ibid.*, 26 Apr. 1882); *Bharat Mihir*, 14 March, *Sahachar*, 15 March (*RNPBeng.*, 25 March 1882); *Dravidavartamani*, 2 Apr. (*RNPM*, Apr. 1883); *Indian Spectator*, 16 March (*VOI*, 31 March 1884); *Bengalee*, 22 March 1884.

81. *RNPBom.*, 19 Jan. 1878.

82. *Ibid.*, 29 Oct. 1881. Also see, *Bodh Sudhakar*, 9 Jan. (*RNPBom.*, 12 Jan. 1878); *Rast Goftar*, 13 Jan. (*ibid.*, 19 Jan. 1878); *Kavi Vachan Sudha*, 21 Jan. (*RNPPN*, 26 Jan. 1878); *Aftab-i-Punjab*, 21 Feb. (*ibid.*, 23 Feb. 1878); *ABP*, 10 Jan. (*RNPBeng.*, 10 Jan. 1878); *Bharat Mihir*, 17 Jan., *Som Prakash*, 21 Jan. (*ibid.*, 26 Jan. 1878); *Sadharani*, 20 Jan. (*ibid.*, 2 Feb. 1878); *Suthesabimani*, 1 May (*RNPM*, May 1878); *Vivekavardhini*, No. 12 (*ibid.*, March 1880); *Ananda Bazar Patrika*, 13 Apr. (*RNPBeng.*, 24 Apr. 1880); *Som Prakash*, 7 June (*RNPBeng.*, 12 June 1880); L. M. Ghose, *Speeches*, p. 6; Petition adopted at a Public Meeting at Poona on 16 May 1880, *JPSS*, July 1880 (Vol. III, No. 1), p. 4.

in charge of the tax assessment and collection towards its maladministration.[83] Some of the Indian newspapers therefore demanded that the exemption limit of the tax should be raised.[84] Interestingly enough, the *Bengalee* in its issue dated 17 January 1880 vehemently objected to the fixation of a maximum limit of the tax as this would 'only have the effect of treating with exceptional favour those millionaire merchants who least require such favour' and who happened to be Europeans. It should be noted that the Indian newspapers were in this case giving expression to the strong sentiments of the urban poor, which were being ventilated in other forms too.[85] In Calcutta, for instance, water carriers (*bhistis*), farriers (*nalbands*), and carters went on strike during 1878-9 in protest against the tax..[86] In Surat, serious riots against high assessment of the tax broke out in April 1878.[87]

The other ground on which the nationalists attacked the licence tax was that high salaried European and Indian officials and thriving professional men were unjustly exempted from its operation.[88] Consequently, they pressed for an exten-

83. RNPBom. for the months July-Dec. 1878; *ABP*, 21 Feb., *Pratikar*, 22 Feb. (RNPBeng., 2 March 1878); *Reports on Native Press* for Bombay, Bengal, Punjab and North-Western Provinces and Oudh, and Madras for the year 1879; *Brahmo Public Opinion*, 8 Jan. 1880: *Bengalee*, 4 Dec. 1880; *Ananda Bazar Patrika*, 13 Apr. (RNPBeng., 24 Apr. 1880); *Som Prakash*, 7 June (*ibid.*, 12 June 1880); *Navavibhakar*, 21 June (*ibid.*, 26 June 1880); *Indian Spectator*, 23 Oct. (RNPBom., 29 Oct. 1881).

84. *Sahachar*, 14 Jan. (RNPBeng., 26 Jan. 1878); *Benares Akhbar*, 17 Jan. (RNPPN, 26 Jan. 1878); *Aftab-i-Punjab*, 21 Feb. (*ibid.*, 23 Feb. 1878); *ABP*, 2 Jan. 1880; *Bengalee*, 17 Jan. 1880; *Hindu Hitaishini*, 21 Feb. (RNPBeng., 28 Feb. 1880); *Navavibhakar*, 1 March (*ibid.*, 6 March 1880); *Sadharani*, 7 March (*ibid.*, 13 March 1880); *Bharat Mihir*, 9 March (*ibid.*, 20 March 1880); *Indian Spectator*, 6 March (RNPBom., 12 March 1881).

85. J. P. Niyogi, *The Evolution of the Indian Income Tax*, pp. 100-03.

86. *Ibid.*, p. 101.

87. *Source Material for a History of the Freedom Movement in India*, Vol. I, 1818-85 (Bombay, 1957), pp. 29-49.

88. *Indu Prakash*, 14 Jan., *Rast Goftar*, 13 Jan. (RNPBom., 19 Jan. 1878); *Jame Jamsed*, 24 Jan. (*ibid.*, 26 Jan. 1878); *Safir-i-Bodhana*, 6 Feb., *Aftab-i-Punjab*, 21 Feb. (RNPPN, 23 Feb. 1878); *Som Prakash*, 7 Jan. (RNPBeng., 12 Jan. 1878); *Vakil-i-Hindustan*, 5 Apr. (RNPPN, 13 Apr. 1878); *Suthesabhimani*, 1 Apr. (RNPM, Apr. 1878); *Sadharani*, 16 March (RNPBeng., 23 March 1878); L. M. Ghose, *Speeches*, pp. 6, 19. A public meeting was held

sion of the tax to the professional and salaried classes.[89] The nationalist criticism of the licence tax was fairly summed up in the Petition adopted at a public meeting of the inhabitants of Poona held on 16 May 1880 under the auspices of the Poona Sarvajanik Sabha. The petitioners asserted that the tax 'violated all the principles of political economy taxing the very poor and the famine-stricken out of all proportion to their means, and exempting the high salaried officials and other rich classes who could best bear additional taxation'.[90]

It should also be noted that two of the leading nationalist newspapers of the day, the *Amrita Bazar Patrika* and the *Hindu*, explicitly supported the principle of a direct personal tax and pressed not for the abolition of the licence tax but merely for its transformation into an income tax.[91]

Having surrendered the customs revenue in 1882, the Government of India was soon compelled by the falling rate of exchange and the rising military expenditure to look for new sources of income. Its gaze naturally fell on the licence tax, which yielded at the time the paltry sum of less than half a crore of rupees. In 1886 it imposed an income tax, which

in Madras to condemn the exclusion of government officials and professional men from the provision of the new tax. *Shams-ul-Akhbar*, 18 March (*RNPM*, March 1878).

89. *Bengalee*, 17 Jan., 6 March 1880; *ABP*, 2 Jan. 1880; *Brahmo Public Opinion*, 8 Jan. 1880; Bombay papers reported in the *RNPBom.*, 4 Sept. 1880; *Hindu Hitaishini*, 21 Feb. (*RNPBeng.*, 28 Feb. 1880), *Navavibhakar*, 1 March (*RNPBeng.*, 6 March 1880); *Sadharani*, 7 March (*ibid.*, 13 March 1880); *Bharat Mihir*, 9 March (*ibid.*, 20 March 1880); *Sahachar*, 15 March (*ibid.*, 27 March 1880); *Indian Spectator*, 6 March, 3 Apr. (*RNPBom.*, 12 March, 9 Apr. 1881); *Native Opinion*, 17 Apr. (*ibid.*, 23 Apr. 1881); *Subodh Patrika*, 19 Feb. (*ibid.*, 25 Feb. 1882); *Mahratta*, 30 Apr. 1882; *Native Opinion*, 16 Aug. (*RNPBom.*, 22 Aug. 1885); *Indian Spectator*, 23 Aug. (*ibid.*, 29 Aug. 1885); J. U. Yajnik, *Rep. INC for 1885*, p. 67. Also see Resolution VI of INC for 1885.

90. *JPSS*, July 1880 (Vol. III, No. 17), p. 4.

91. See the *Amrita Bazar Patrika* of 2 January 1880 and the *Hindu* of 19 December 1884. Also see *ABP*, 3 Jan., *Grambarta Prakasika*, 5 Jan. (*RNP Beng.*, 12 Jan. 1878); *Hindu Hitaishini*, 12 Jan. (*ibid.*, 26 Jan. 1878); *Bharat Mihir*, 21 Feb. (*ibid.*, 2 March 1878); *Sadharani*, 16 March (*RNPBeng.*, 23 March 1878); and *Indian Spectator*, 23 Oct. (*RNPBom.*, 29 Oct. 1881). The *Amrita Bazar Patrika* of 10 January 1878 even remarked that the government had not imposed an income tax because it was afraid of Europeans and wealthy and influential Indians.

was really 'an enlargement, an extension, and equalisation' of the existing licence tax, at least as far as the lowest classes of income were concerned. The new tax was made applicable to the professional and salaried classes also. The rate of the tax was 4 pies in the rupee for incomes below Rs. 2,000 a year and 5 pies for incomes above that amount. Incomes of Rs. 500 a year or less were exempted from the tax. In the case of military officers the exemption limit was Rs. 6,000 a year. Certain other incomes, like those derived from land—including tea-plantations—, salaries, pensions and leave allowances paid in England, profits of shipping companies incorporated in England, interest on securities paid in England, and profits of the railways up to the amount of the guaranteed interest, were also put outside the pale of the tax. In the first year of its operation, i.e. in 1886-7, the income tax was paid by nearly 351,000 persons and it brought in nearly Rs. 1.37 crores. About 30 per cent of this amount was charged on salaries and pensions. In 1902-03, the number of assessees rose to nearly 531,000 and the amount collected to nearly Rs. 2.1 crores.[92]

The national leadership was in general divided in its attitude towards the income tax. This division is reflected even more clearly if a long enough span of time is taken into account. In fact, some of the Indian leaders took different and even contradictory attitudes at different times.

The proposal for the levy of an income tax in the 1880's as well as its actual imposition in 1886 were opposed on a wide scale by the nationalist press and leaders.[93] This opposition

92. V.K.R.V. Rao, *Taxation of Income*, p. 292; ad P. Banerjea, *Indian Taxation*, p. 127; A Colvin, *LCP*, 1886, Vol. XXV, pp. 21 ff.

93. *Brahmo Public Opinion*, 8 Jan. 1880, 22 Dec. 1881; *Bengalee*, 24 December 1881; *Rast Goftar*, *Gujarat Mitra*, *Bombay Chronicle* and *Arunodaya*, 11 Dec., *Surya Prakash*, 10 Dec., *Nyaya Prakash*, 12 Dec., *Kaside Mumbai*, 16 Dec. (*RNPBom.*, 17 Dec. 1881); *Bombay Samachar*, *Jame Jamshed*, 20 Dec. (*ibid.*, 24 Dec. 1881); *Sahachar*, 28 Dec. 1881 (*RNPBeng.*, 7 Jan. 1882); *Paridarshak*, 1 Jan. (*ibid.*, 14 Jan. 1882); *Nasim-i-Agra*, 30 Dec. 1881 (*RNPPN*, 10 Jan. 1882); *Som Prakash*, 5 Oct., *Surabhi-o-Pataka*, 7 Oct. (*RNPBeng.*, 10 Oct. 1885); *Sahachar*, 7 Oct., *Bharat Mihir*, 8 Oct., *Sanjivani*, 10 Oct. (*ibid.*, 17 Oct. 1885); *Voice of India*, Jan. 1886; *Indian Mirror*, 7, 9,

was not, however, so much on account of the nature of the tax itself as for want of nationalist confidence in *any* proposals for additional taxation—which was a permanent anathema to the national leadership—and the need for which, it was believed, was unproved. This was, for example, the manner in which the editor of the *Voice of India* understood the nationalist position when summarising the stand taken by the Indian newspapers.[94] Moreover, prior to 1882 many of the Indian nationalists were afraid that the imposition of an income tax might be designed to create a budget surplus, which might then be used as an excuse to abolish import duties.[95] After 1882, when import duties were actually repealed, many of the Indian leaders opposed the income tax on the ground that a better method of raising revenue would be to reimpose the import duties.[96] A few of the Indians also sus-

15 Jan., *Tribune*, 9 Jan., *Behar Herald*, 19 Jan., *Indian Nation*, 11 Jan., *Indian Echo*, 11 Jan. (*VOI*, Jan. 1886); *Hindustani*, 8 Jan., *Akhbar-i-Am*, 9 Jan. (*VOI*, Jan. 1886); *Bengalee*, 9, 16, 23 Jan. 1886; Indian Association's Secretary's letter to the Government of India, *Bengalee*, 23 Jan. 1886; Bombay Presidency Association's Representation to the Government of India, *Report of Bombay Presidency Association for 1885-6*, pp. 205-8; *Bombay Samachar and Jame Jamsed*, 5 Jan. (*RNPBom.*, 9 Jan. 1886); *Indu Prakash*, 11 Jan., *Gujarati*, *Gujarat Mitra*, *Rast Goftar* and *Yezdan Parast* of 10 Jan., *Hitechchu*, 14 Jan., *Pandit*, 15 Jan. (*ibid.*, 16 Jan. 1886); *Surabhi and Pataka*, *Bharat Mihir*, 31 Dec. 1885, *Bheri*, 1 Jan., *Nava Medini*, 2 Jan., *Dacca Prakash*, 3 Jan., *Som Prakash* and *Navavibhakar*, 4 Jan. (*RNPBeng.*, 9 Jan. 1886); *Sahachar*, 6 Jan., *Sanjivani*, 9 Jan. (*ibid.*, 16 Jan. 1886); *Utkal Dipika*, 16 Jan. (*ibid.*, 30 Jan. 1886); *Karnatak Prakasika*, undated, *Hindujanbhushani*, undated, *Kerala Mitram*, undated, *Shams-ul-Akhbar*, 8 Feb. (*RNPM*, Feb. 1886); Mandlik, *Speeches*, p. 660; S. N. Banerjea, *Speeches III*, pp. 1-9.

94. *Voice of India*, Jan. 1886. Also see, *Indian Mirror*, 7, 9, 15 Jan., *Indian Echo*, 11 Jan. (*VOI*, Jan. 1886); *Bengalee*, 9, 16 Jan. 1886; Representation by Bombay Presidency Association to the Government of India, 1886, *loc. cit.*; *Indian Spectator*, 10 Jan. (*RNPBom.*, 16 Jan. 1886); *RNPBeng.*, 16 Jan. to 6 Feb. 1886; S. N. Banerjea, *Speeches III*, pp. 3-4.

95. *Rast Goftar*, *Gujarati*, *Gujarat Mitra* and *Arunodaya*, 11 Dec., *Indu Prakash*, 12 Dec. (*RNPBom.*, 17 Dec. 1881); *Bombay Samachar* and *Jame Jamshed*, 20 Dec. (*ibid.*, 24 Dec. 1881).

96. *Sahachar*, 7 Oct., *Sanjivani*, 10 Oct. (*RNPBeng.*, 17 Oct. 1885); *Surabhi-o-Pataka*, 31 Dec. 1885, *Navavibhakar*, 4 Jan. (*ibid.*, 9 Jan. 1886); *Bharat Mitra*, 7 Jan., *Uchit Vakta*, 8 Jan., *Bangabasi*, 9 Jan. (*ibid.*, 16 Jan. 1886); *Sahachar*, 13 Jan., *Bharat Mihir*, 14 Jan. (*ibid.*, 23 Jan. 1886); *Som Prakash*, 1 Feb. (*ibid.*, 6 Feb. 1886); Representation by the Bombay Presidency Association, 1886, *loc. cit.*; Mandlik, *Speeches*, pp. 651-60; S. N. Banerjea, *Speeches III*, p. 8.

pected that the revenue derived from the tax would be used by the government to meet the rapidly increasing military expenditure, that was gall and wormwood to the nationalists.[97] What is of much greater importance, a large number from among the ranks of the opponents of the income tax supported one particular aspect of it, namely, the bringing in of the professional and salaried classes within its purview.[98]

Having said all this, we should also note that when some of the opponents of income tax declared that direct taxation was not at all suited to India[99] or when some of them advocated the extension and enlargement of the salt tax in place of the imposition of the income tax,[100] they clearly revealed that their opposition was inspired not so much by their understanding of popular weal as by narrow class and selfish interests. In any case, V. N. Mandlik, for one, was frank enough to admit publicly in his speech on the Income Tax Bill of 1886 that 'the symmetry of the Act is marred by the higher classes being put under an income-tax instead of a licence tax'.[101]

But more significant than this opposition to the income tax is the fact—which has, moreover, been more or less ignored by nearly all the historians of the Indian income tax—that instead of opposing the move for the levy of income tax most of the more powerful organs of nationalist opinion extended some

97. *Voice of India's summary of Indian newspapers' opinion*, Jan. 1886; Representation by the Bombay Presidency Association, 1886, *loc. cit.*; S. N. Banerjea, *Speeches* III, p. 8.

98. *Brahmo Public Opinion*, 8 Jan. 1880; *Bengalee*, 9, 16 Jan. 1886; Letter from the Secretary of the Indian Association to the Government of India in *Bengalee*, 23 Jan. 1886; *Tribune*, 9 Jan. (VOI, Jan. 1886); *Voice of India's* summary of Indian newspapers' attitude, Jan. 1886; Representation of the Bombay Presidency Association to the Government of India, 1886, *loc. cit.*; *Sahachar*, 30 Dec. 1885, *Surabhi-o-Pataka*, 31 Dec. 1885 (RNPBeng., 9 Jan. 1886); *Sanjivani*, 9 Jan. (*ibid.*, 16 Jan. 1886).

99. *Brahmo Public Opinion*, 8 Jan. 1880, 22 Dec. 1881; Memorandum of the Poona Sarvajanik Sabha, 1881, *JPSS*, Vol. IV, No. 1 (July 1881), p. 15; *Sahachar*, 7 Oct. (RNPBeng., 17 Oct. 1885); *Tribune*, 6 Feb. (VOI, Feb. 1886); Mandlik, *Speeches*, p. 665.

100. Memorandum of the Poona Sarvajanik Sabha, 1881, *loc. cit.*; *Navavibhakar*, 4 Jan. (RNPBeng., 9 Jan. 1886); *Sahachar*, 6 Jan. (*ibid.*, 16 Jan. 1886); *Som Prakash*, 1 Feb. (*ibid.*, 6 Feb. 1886).

101. Mandlik, *Speeches*, p. 661.

sort of support, often active and vigorous, but also in some cases grudging and lukewarm, to the tax before, at the time of, and after, its imposition.

The *Amrita Bazar Patrika* actively defended the income tax from the year 1870 onwards.[102] Many of the nationalist newspapers lent support to John Strachey's effort in 1880 to apply the license tax to salaried and professional incomes.[103] And when Strachey's measure was withdrawn, as a result of opposition from the Englishmen in India, the *Amrita Bazar Patrika* was moved to bitter sarcasm. Its issue of 5 March 1880 carried the following comment, taking the Indian critics of the measure to task:

> Now that the tax upon salaries and professions has been abandoned, even people the most stupid will see how senseless was the outcry raised against the announcement of Sir John Strachey of extending the area of taxation. Asses there must be in every society, or who would bear washermen's clothes on their backs?... but then they must be employed in carrying washermen's clothes and burdens, and not in leading political associations or editing public prints.

In the later years, a large number of prominent nationalist newspapers, like the *Hindu*, the *Indu Prakash*, and the *Indian Spectator*, asked for the levy of an income tax in place of the existing licence tax.[104] Finally, at its first session in 1885, the Indian National Congress passed a resolution urging, among

102. For 1870 and 1872, see B. B. Majumdar, *op. cit.*, pp. 382-3. Also ABP, 7 Feb. 1871.

103. ABP, 2 Jan. 1880; *Bengalee*, 17 Jan. 1880; *Ananda Bazar Patrika*, 30 Dec. 1879; *Navavibhakar*, 5 Jan. (*RNPBeng.*, 10 Jan. 1880); *Navavibhakar*, 1 March (*RNPBeng.*, 6 March 1880); *Sadharani*, 7 March (*ibid.*, 13 March 1880); *Bharat Mihir*, 9 March (*ibid.*, 20 March 1880); *Sahachar*, 15 March (*ibid.*, 27 March 1880). Also see f.ns. 89-90 above.

104. *Hindu*, 19 Dec. 1884; *Indu Prakash*, 3 March 1884; *Indian Spectator*, 23 Oct. (*RNPBom.*, 29 Oct. 1881), 18 Dec. (*RNPBom.*, 24 Dec. 1881), 9 March 1884; *Subodh Patrika*, 11 Dec. (*RNPBom.*, 17 Dec. 1881); *Navavibhakar*, 19 Dec. (*RNPBeng.*, 24 Dec. 1881); *Ananda Bazar Patrika*, 26 Dec. 1881 (*RNPBeng.*, 7 Jan. 1882); *Sadharani*, 15 Jan. (*ibid.*, 21 Jan. 1882); *Prabhati*, 5 Apr. (*ibid.*, 7 Apr. 1883); *Swadesamitran*, 11 Dec. (*RNPM*, Dec. 1884); *Dainik*, 23 Nov. (*RNPBeng.*, 28 Nov. 1885). For a similar demand before 1880, see f.n. 91 above.

other things, 'the extension of the licence tax to those classes of the community, official and non-official, at present exempted from it. . . .'[105] When the income tax was after all levied in 1886, it was supported by the *Amrita Bazar Patrika*, the *Hindu*, and the *Mahratta*, as well as by many other nationalist newspapers.[106]

After 1886 the income tax gained even greater and wider popularity among the nationalist circles, particularly as it became evident that its abandonment would lead to the imposition of other taxes. This fact also substantiates the view that the earlier opposition of some of the Indian leaders was really inspired by their opposition to any new measure of taxation and not to the income tax as such. Once it was apparent that new taxes had to be levied, the nationalist leaders as a whole opposed the demand for the repeal of the income tax and preferred it to any other form of taxation. This fact was brought out dramatically at the third session of the Indian National Congress in 1887 when a delegate, V. R. Chakravarti Aiyangar, moved an amendment to Resolution VI to the effect that the income tax should be abolished. Immediately there were cries of 'No, no, withdraw,' 'We don't want to relieve ourselves of taxation,' 'We won't have it', 'Sit down', and 'Shut up', and Chakravarti Aiyangar was constrained to with-

105. Resol. VI. Later, next year, when the government decided to reimpose the income tax, the Governor-General cited this resolution of the Congress as an endorsement by the advanced section of Indian public opinion of its step (*LCP*, 1886, Vol. XXV, p. 27).

106. *ABP*, 14, 28 Jan., 4, 11 Feb. 1886; *Hindu*, 7, 9, 15 Jan. 1886 (*VOI*, Jan. 1886); *Mahratta*, 17 Jan. 1886 (The *Mahratta*, however, objected to the tax being made a permanent feature of the system of taxation); *Indu Prakash*, 25 Jan. 1886; *Subodh Patrika*, 24 Jan. (*RNPBom.*, 30 Jan. 1886); *Shivaji*, 29 Jan. (*ibid.*, 6 Feb. 1886); *Dainik*, 30 Dec. 1885 (*RNPBeng.*, 2 Jan. 1886); *Bharat Basi*, 9 Jan., *Sadharani*, 10 Jan. (*ibid.*, 16 Jan. 1886); *Ananda Bazar Patrika*, 18 Jan., 25 Jan. (*ibid.*, 23, 30 Jan. 1886); *Surabhi-o-Pataka*, 28 Jan. (*ibid.*, 6 Feb. 1886); *Aftab-e-Punjab*, 13 Jan. (*VOI*, Jan. 1886). Some of these newspapers had earlier, even a few days back, opposed the income tax. In view of the large number of prominent newspapers from Bengal that figure in this list, one is surprised at the assertion made in the *Report on Vernacular Newspapers in Bengal in 1886* that, except for the *Ananda Bazar Patrika*, not a single native paper defended the income tax. *Home (Public)*, March 1888, Prog. 404(A), para 56.

draw his amendment.[107] At the next session of the Congress in 1888, Madan Mohan Malaviya declared that the Congress 'approved and desired the imposition of the income tax on the rich, or those who could afford to pay it'.[108] In 1902, while moving Resolution XIII, C. Y. Chintamani forcefully condemned the agitation for the abolition of the tax,[109] and the Congress President for that year, S. N. Banerjea, also expressed his lack of sympathy for the demand.[110] Among the other publicmen of India, Dadabhai Naoroji condemned, in a letter dated 26 April 1889 to S. M. Malabari, the Indian members of the Viceroy's Council for voting for a salt duty and against an income tax.[111] In his *Economic History of India*, R. C. Dutt praised the income tax (of 1860) for being 'just and equitable'.[112] In 1888 G. V. Joshi put in a vigorous plea for the extension and enhancement of the income tax in place of the enhancement of the salt tax.[113] The Indian Association put forth a similar demand in 1894.[114]

Among the newspapers, the *Amrita Bazar Patrika* carried on with its crusade in favour of the income tax[115] and in its issue of 18 April 1893 demanded an increase in its incidence. The *Hindu* of 28 December 1887 opined that 'the income tax should be the foremost permanent source of Indian taxation'.[116] The *Sudharak* of 15 December 1890 declared that

107. *Rep. INC for 1887*, p. 135.
108. Malaviya, *Speeches*, p. 505.
109. *Rep. INC for 1902*, p. 133.
110. In *CPA*, p. 704.
111. Quoted in Masani, *op. cit.*, p. 318.
112. Dutt, *EHII*, p. 165. Equally important is the fact that in asking for the withdrawal of 'those taxes which tell severely on the earnings of the nation', he mentioned the land tax, the cesses on the land tax, the salt tax, and the cotton excise duty, and did not include the income tax in the category of taxes to be removed. See *EHII*, pp. 596-7. Similarly, in their speeches on the Budget of 1904, B. K. Bose and Sri Ram spoke in favour of the continuation of the income tax (*LCP*, 1904, Vol. XLIII, pp. 432 and 508 respectively).
113. Joshi, *op. cit.*, pp. 141, 161-6, 190.
114. Memorandum, dated 8 March 1894, *Rep. of the Indian Association for 1892-3 to 1895-6*, p. 43. See also Memorial of the Poona Sarvajanik Sabha, dated 23 Dec. 1890, *JPSS*, Jan. 1891 (Vol. XIII, No. 3), p. 80.
115. 20 Sept. 1891, 7, 8 March 1894, 23 Oct. 1902.
116. See also *Hindu*, 8 Apr. 1889, 28 May 1890, 3 Dec. 1890.

'a demand for the abolition of the tax would be unmitigatedly selfish'.[117] The *Sanjivani* of 10 March 1894 pleaded for an increase in the rate of the income tax on the ground that the existing rate practically amounted to an exemption of the rich.[118] The *Bengalee* of 4 November 1902 also objected to any repeal of the tax. The *Mahratta* of 29 May 1904 wanted the tax to be retained in spite of the budgetary surpluses; its proceeds, it suggested, should be taken on trust and spent on education, especially industrial education. Many other Indian newspapers took, over the years, a similar stand against the repeal of the tax and in some cases in favour of the enhancement of its incidence.[119] In particular, at the time of the enhancement of the salt tax in 1888, a large number of the newspapers advocated an increase in the income tax instead.[120]

As against this overwhelming phalanx of nationalist opinion that arose in favour of the income tax after 1886, only a few Indian newspapers and leaders asked for its repeal after that year. The *Som Prakash* of 10 November 1890 and the *Sahachar* of 11 February 1891 from Bengal and the *Bharat Jiwan* of 17 November 1890 from the N-W Provinces and Oudh were the only newspapers to have done so, as far as we have been able to ascertain.[121] Among the political leaders, G. R. Chitnavis, the Maharaja of Darbhanga, and Asutosh Mukerjea—none of them being a nationalist leader of the front rank—were the only ones to have opposed the tax.[122]

117. *RNPBom.*, 20 Dec. 1890.

118. *RNPBeng.*, 17 March 1894. Also *Sanjivani*, 30 Aug. (*RNPBeng.*, 6 Sept. 1890).

119. *Tarangay Naison*, 13 Apr. (*RNPM*, 30 Apr. 1889); *Indu Prakash*, 8 Dec. (*RNPBom.*, 13 Dec. 1890); *Native Opinion*, 14 Dec. (*ibid.*, 20 Dec. 1890); *Mahratta*, 14 Dec. 1890; *Bangabasi*, 30 Aug. (*RNPBeng.*, 6 Sept. 1890); *Hindustani*, 21 Jan. (*RNPN*, 27 Jan. 1891); *Kaiser-e-Hind*, 18 Feb. (*RNPBom.*, 24 Feb. 1894); *Swadesamitran*, 5 Apr. (*RNPM*, 15 Apr. 1899); *Jami-ul-Ulum*, 7 Nov. (*RNPN*, 13 Nov. 1900); *Oudh Samachar*, 7 Nov. (*ibid.*, 8 Nov. 1902); *Hitavadi*, 31 Oct. (*RNPBeng.*, 8 Nov. 1902); *Swadesamitran*, 8 Apr. (*RNPM*, 9 Apr. 1904).

120. See below, section on the Salt Tax.

121. *RNPBeng.*, 15 Nov. 1890, *ibid.*, 21 Feb. 1891, and *RNPN*, 25 Nov. 1890 respectively.

122. G. R. Chitnavis, *LCP*, 1894, Vol. XXXIII, p. 246; Maharaja of Dar-

As regards the manner of the imposition of the income tax, some of the Indian leaders criticised from the very beginning the exemption from tax of zamindars and landlords. As early as 17 January 1880, the *Bengalee* put forth this view and refuted the assertion that the immunity granted to the zamindars was justified since they were already paying the Road Cess and the Public Works Cess. These cesses, it contended, were in reality being indirectly paid by the ryots. The exemption of zamindars from the purview of the Income Tax Act of 1886 was criticised by the *Hindu* of 7, 9 and 12 January 1886, the *Indian Nation* of 25 February, 1886, and the *Gujarat Mitra* of 10 January 1886.[123] G. V. Joshi argued at length in 1888 for the extension of the income tax to the zamindars, talukdars and planters.[124] The *Hindu* of 9 January 1890, and the *Kaiser-e-Hind* of 18 February 1894[125] also made a similar plea.

A few of the Indian leaders also commented on the absolute lack of progression in the Indian income tax. Objecting to all incomes above Rs. 2,000 a year being grouped together for purposes of this tax, the *Hindu* asserted that 'the principle of graduated taxation holds good in India as well as in any other country'. It also opined that 2½ per cent of income was too low a rate of taxation for those drawing high salaries.[126] In a memorandum dated 8 March 1894, the Indian Association suggested that 'instead of the necessaries of life being taxed in an indirect manner, the income tax should be raised in a graduated scale, the higher salaries being assessed at a higher percentage'.[127] Several other Indian leaders demanded a well graduated income tax.[128]

bhanga, *LCP*, 1897, Vol. XXXVI, p. 210; Asutosh Mukerjea, *LCP*, 1904, Vol. XLIII, pp. 416-20.

123. *VOI*, Jan. 1886, *ibid.*, Feb. 1886, and *RNPBom.*, 16 Jan. 1886 respectively.

124. Joshi, *op. cit.*, pp. 141-2, 161, 165, 190.

125. *RNPBom.*, 24 Feb. 1894.

126. *Hindu*, 7, 9, 12 Jan. (*VOI*, Jan. 1886).

127. *Report of the Indian Association for 1892-3 to 1895-6*, p. 43.

128. *Bangabasi*, 9 Jan. (*RNPBeng.*, 16 Jan. 1886); *Kaiser-e-Hind*, 18 Feb. (*RNPBom.*, 24 Feb. 1894); *Sanjivani*, 10 March (*RNPBeng.*, 17 March 1894);

Perhaps it would not be out of place to briefly examine at this stage the grounds on which the large majority of the nationalist leaders came to support the income tax or at least its extension to the salaried and professional classes. The first, and perhaps the most important, of these was the understanding that the income tax was the only important tax through which the Europeans in India, whether bureaucrats, employees of private firms, professional men, or merchants, could be made to contribute their share of the cost of the governance of India.[129] The *Amrita Bazar Patrika* expressed this sentiment in the following words: 'An income tax in India touched the pockets of 100 Europeans in a 100, while it touched the pocket of one native in a thousand'.[130] Some of the Indian newspapers even asserted that to oppose the income tax was to play into the hands of the Europeans.[131] The second reason for the nationalist support to the income tax was that of social justice and equity in taxation. This extremely democratic point of view was very distinctly articulated in some cases. For instance, the *Bengalee* of 17 January 1880 asserted that 'if Government is bent upon imposing new taxes rather than retrench expenditure, it is better—far better—that such new

A. Mukerjea, *LCP*, 1904, Vol. XLIII, pp. 420-2. Unfortunately, Mukerjea's advocacy of this cause was marred by the alternative demand for the abolition of the tax itself! (*Ibid.*, pp. 416-20).

129. *Ananda Bazar Patrika*, 30 Dec. 1879 (*RNPBeng.*, 10 Jan. 1880); *Akhbar-i-Am*, 21 Jan. (*RNPPN*, 31 Jan. 1882); *Mahratta*, 17 Jan. 1886; *Tribune*, 20 Feb. (*VOI*, Feb. 1886); *Subodh Patrika*, 24 Jan., *Indu Prakash*, 25 Jan. (*RNPBom.*, 30 Jan. 1886); *Shivaji*, 29 Jan. (*ibid.*, 6 Feb. 1886); *Sahachar*, 30 Dec. 1885, *Surabhi-o-Pataka*, 31 Dec. 1885 (*RNPBeng.*, 9 Jan. 1886); *Arya Darpan*, 8 Jan., *Sanjivani*, 9 Jan., *Ananda Bazar Patrika*, 11 Jan. (*ibid.*, 16 Jan. 1886); *Sadharani*, 17 Jan., *Ananda Bazar Patrika*, 18 Jan. (*ibid.*, 23 Jan. 1886); *Hindu*, 28 Dec. 1887, 8 Apr. 1889, 28 May 1890; *Mahratta*, 14 Dec. 1890; *Indu Prakash*, 8 Dec. (*RNPBom.*, 13 Dec. 1890); *Native Opinion*, 14 Dec. (*ibid.*, 20 Dec. 1890); *Sanjivani*, 30 Aug. (*RNPBeng.*, 6 Sept. 1890); *Swadesamitran*, 5 Apr. (*RNPM*, 15 Apr. 1899); *Jami-ul-Ulum*, 7 Nov. (*RNPN*, 13 Nov. 1900); *Oudh Samachar*, 7 Nov. (*RNPN*, 8 Nov. 1902).

130. 29 December 1881. Also *ABP* of 2 Jan., and 5 March 1880, 28 Jan. 1886, 20 Sept. 1891, and 23 Oct. 1902.

131. *ABP*, 29 Dec. 1881; *Subodh Patrika*, 11 Dec. (*RNPBom.*, 17 Dec. 1881); *Hindu*, 3 Dec. 1890; *Bangabasi*, 30 Aug. (*RNPBeng.*, 6 Sept. 1890); *ABP*, 20 Sept. 1891; *Aftab-i-Punjab*, 2 Nov. (*RNPP*, 14 Nov. 1891); *Swadesamitran*, 8 Apr. (*RNPM*, 9 Apr. 1904).

and direct taxes should fall on those who can bear them than that they should fall on the poor'.[132] The *Amrita Bazar Patrika* of 5 March 1880 was even more emphatic: 'The real point at issue is not whether direct taxation is suited to India or not, but whether or not the wealthiest members of our society should be made to bear their fair share of burden. If they should, there is no other way of reaching them but by direct taxation.' Next year, the *Patrika* once again advocated the levy of income tax and, denying the validity of the argument that it caused so much harassment and inconvenience that its advantages were negated, it wrote in its issue of 29 December 1881: 'First of all, who cares for the petty inconveniences of the 2 lacs of rich men in the country, certainly not the 200 millions who pay the salt tax, the land revenue, and the stamp revenue?'[133] The *Hindu* of 19 December 1884 also pointed out that the poor in India had no reason to object to the rich being taxed; their complaint, on the other hand, would be against the salt tax, excise duty, stamp duty, etc.[134] G. V. Joshi also articulated this view very cogently and clearly in 1888. Having defended the imposition of the income tax in 1886, he went on to point out that the burden imposed on the 'upper and upper-middle classes' by the Income Tax Act of 1886 had not been 'in any sense or degree, adequate and sufficient or proportionate to the burdens laid on the poorer classes. On the contrary, it was plain that the new measure of taxation... did not go far enough towards an equitable re-adjustment of public taxation.... the fact remained that even after the taxation of 1886, the "classes" paid less, and the "masses" more than their due share.'[135]

132. Attacking the theory that direct taxation was not suited to India, it further wrote: 'While we shall never cease to demand retrenchment and pray for the abolition of *all* direct taxes, it shall nevertheless be our duty to remember that the most cruel, the most oppressive, the most iniquitous, portion of direct taxes in India is not that which we ourselves pay, but that which drains the very life-blood of the millions of actual cultivators.'

133. Also see *ABP* of 2 Jan. 1880, 14, 28 Jan., 4 Feb. 1886, 20 Sept. 1891, 18 Apr. 1893, 7, 8 March 1894, 23 Oct. 1902.

134. Also see *Hindu* of 8 Apr. 1889, 28 May 1890.

135. Joshi, *op. cit.*, pp. 164-6. Also *Navavibhakar*, 5 Jan. (*RNPBeng.*, 10

The supporters of the income tax did not, however, support it in each and every respect. While accepting it in principle, they criticised the manner in which it was being levied. According to them, as well as many of the critics of the tax who decided to submit to it with good grace, the worst feature of the income tax as imposed in 1886 was its low limit of exemption. They wanted this limit to be raised from Rs. 500 to at least Rs. 1,000 a year. Broadly speaking, the nationalist case was that the income tax fell, because of its low exemption limit, with undue severity on people with low incomes, like the poorly paid servants of the government, petty traders, shop-keepers and artisans, who had little margin of income to spare for paying the tax, especially in view of the prevalence of the joint-family system; and that the unsatisfactory administration of the tax led to undue harassment and oppression of people earning puny incomes, most of whom were incapable of resisting the extortions and tyrannies of the petty officials put in charge of administering the tax.

Some of the nationalist newspapers suggested, even before the income tax was levied, the fixing of a high exemption limit as a device to remove the sting out of an income tax.[136] The Indian National Congress of 1885 also, while recommending the extension of the licence tax to the salaried and professional classes, suggested the maintenance 'in the case of all classes of

Jan. 1880); *Subodh Patrika*, 11 Dec. (RNPBom., 17 Dec. 1881); *Akhbar-i-Am*, 21 Jan. (RNPPN, 31 Jan. 1882); *Indu Prakash*, 8 March 1884; *Indian Spectator*, 9 March 1884; *Swadesamitran*, 11 Dec. (RNPM, Dec. 1884); *Dainik*, 23 Nov. (RNPBeng., 28 Nov. 1885); *Mahratta*, 17 Jan. 1886; *Bharat Basi*, 9 Jan., *Sadharani*, 10 Jan. (*ibid.*, 16 Jan. 1886); *Surabhi-o-Pataka*, 28 Jan. (*ibid.*, 30 Jan. 1886); *Rep. INC for 1887*, p. 135; *Tarangay Naison*, 13 Apr. (RNPM, 30 Apr. 1889); *Sudharak*, 15 Dec. (RNPBom., 20 Dec. 1890); Memorial of the Poona Sarvajanik Sabha, dated 23 Dec. 1890, JPSS, Jan. 1891 (Vol. XIII, No. 3), p. 80; *Hindustani*, 21 Jan. (RNPN, 27 Jan. 1891); *Aftab-i-Punjab*, 2 Nov. (RNPP, 14 Nov. 1891); *Sanjivani*, 10 March (RNPBeng., 17 March 1894); *Swadesamitran*, 5 Apr. (RNPM, 15 Apr. 1899); *Jami-ul-Ulum*, 7 Nov. (RNPN, 13 Nov. 1900); *Oudh Samachar*, 7 Nov. (*ibid.*, 8 Nov. 1902); *Hitavadi*, 31 Oct., *Bengalee*, 4 Nov. (RNPBeng., 8 Nov. 1902); *Swadesamitran*, 8 Apr. (RNPM, 9 Apr. 1904).

136. *Navavibhakar*, 26 Jan. (RNPBeng., 31 Jan. 1880); ABP, 29 Dec. 1881; *Indian Spectator*, 18 Dec. (RNPBom., 24 Dec. 1881), and 9 March 1884; *Sanjivani*, 10 Oct., *Som Prakash*, 12 Oct. (RNPBeng., 17 Oct. 1885).

a sufficiently high taxable minimum'.[137] At the time of the imposition of the income tax in 1886, many of the Indian leaders pressed for raising its exemption limit.[138] At its third session in 1887 the Indian National Congress passed a resolution urging that the taxable minimum be raised to Rs. 1,000.[139] In the following years this resolution, described by Madan Mohan Malaviya as 'the respectable poor man's resolution',[140] became a hardy annual at the Congress sessions.[141] The nationalist press kept up throughout the years a regular barrage of agitation on the issue.[142] Indian publicmen raised the question again and again, on the Congress platform, in the legislative councils, and in print.[143]

The justice and validity of the nationalist criticism of the working of the income tax came in time to be fully recognised by the authorities, so much so that in 1903 the government

137. Resol. VI.

138. *ABP*, 28 Jan., 11 Feb. 1886; *Bengalee*, 9, 23 Jan. 1886; *Dainik*, 30 Dec. 1885 (*RNPBeng.*, 2 Jan. 1886); *Bangabasi*, 9 Jan. (*ibid.*, 16 Jan. 1886); *Dainik* and *Ananda Bazar Patrika*, 11 Jan. (*ibid.*); *Sahachar*, 13 Jan., *Bharat Mihir*, 14 Jan., *Sanjivani* and *Bharat Basi*, 16 Jan., *Sadharani*, 17 Jan. (*ibid.*, 23 Jan. 1886); *Surabhi-o-Pataka*, 28 Jan. (*ibid.*, 6 Feb. 1886); S. N. *Banerjea*, *Speeches III*, p. 4; Memorial of the Indian Association in *Bengalee*, 23 Jan. 1886; Representation of Bombay Presidency Association, *Report of Bombay Presidency Association for* 1885-6, pp. 206-07.

139. Resol. VI.

140. Malaviya, *Speeches*, p. 504.

141. Resol. VIII of 1888; Resol. III(g) of 1889; Resol. II(g) of 1890; Resol. VI of 1891; Resol. V(b) of 1892; Resol. III(b) of 1893; Resol. XVI(b) of 1894; Resol. XXII(a) of 1895; Resol. XIII of 1896; Resol. XX(g) of 1898; Resol. XIV(IIId) of 1899; Resol. X(iiid) of 1900; Resols. III and XIX(ia) of 1901.

142. For example, *Hindu*, 8 Apr. 1889; *Bangabasi*, *Sanjivani*, 30 Sept. (*RNPBeng.*, 6 Sept. 1890); *Native Opinion*, 14 Dec. (*RNPBom.*, 20 Dec. 1890); *Hindustani*, 21 Jan. (*RNPN*, 27 Jan. 1891); *ABP*, 20 Sept. 1891; *Aftab-i-Punjab*, 2 Nov. (*RNPP*, 14 Nov. 1891); *Hindu*, 4 Apr. 1894, 30 Nov. 1895; *Swadesamitran*, 5 Apr. (*RNPM*, 15 Apr. 1899); *Jami-ul-Ulum*, 7 Nov. (*RNPN*, 13 Nov. 1900); *Oudh Samachar*, 7 Nov. (*ibid.*, 8 Nov. 1902); *ABP*, 12 March 1902; *Hitavadi*, 31 Oct. (*RNPBeng.*, 8 Nov. 1902).

143. G. P. Sen, *Rep. INC for* 1887, pp. 131-2; J. C. Ghose, *ibid.*, p. 133; Malaviya, *Speeches*, pp. 505-08; Ray, *Poverty*, pp. 267-71; G. R. M. Chitnavis, *LCP*, 1894, Vol. XXXIII, p. 246; P. A. Charlu, *LCP*, 1896, Vol. XXXV, p. 285; G. R. M. Chitnavis, *LCP*, 1899, Vol. XXXVIII, p. 234; P. A. Charlu, *ibid.*, p. 243; Gokhale, *Speeches*, p. 10; P. A. Charlu, *LCP*, 1902, Vol. XLI, p. 119; Sri Ram, *ibid.*, pp. 142-3; S. N. Banerjea in *CPA*, p. 704; C. Y. Chintamani, *Rep. INC for* 1902, p. 133.

raised the taxable minimum to Rs. 1,000 per year.[144] This move was enthusiastically welcomed by the national leadership[145] which, with rare exceptions, ceased demanding any further concessions in connection with the income tax.[146]

V. IMPLICATIONS OF THE NATIONALIST APPROACH

It is clear from the above analysis of the nationalist attitude towards the income tax that in this instance the overwhelming majority of the nationalist leaders was able to rise above narrow group interests. Most of them were themselves lawyers and journalists, who had, moreover, close family connections with the salaried groups and, yet, a large number of them approved of, and even advocated, the imposition of the income tax. Even of those leaders who opposed the tax as such, a large majority supported, and even demanded, its extension to the professional and salaried classes. Thus, there was the widest possible agreement among the nationalists on the desirability of bringing the 'educated middle-classes' within the purview of some sort of direct taxation. And once the income tax had come into existence, not a single important nationalist voice was raised in favour of its repeal in the following years.

It should be carefully noted in this context that most of the

144. Announcing the concession Sir Edward Law, the Finance Member, observed: 'As regards the raising of the limit of exemption of the income tax, we believe that the tax on incomes under a thousand rupees is, in the main, paid by petty traders, by clerks in commercial and Government offices, and by pensioners, who, small as is the present impost, feel it to be a severe burden.... Moreover, we have reason to fear that it is in the lower categories of incomes that hardship is perhaps felt in the matter of inquisitorial proceedings on the part of assessors, who, possibly, sometimes fix assessments at unjustifiably high rates...' (*Financial Statement*, 1903-04, para 39).

145. Gokhale, *Speeches*, p. 38; Sri Ram, B. K. Bose, P. Ananda Charlu, *LCP*, 1903, Vol. XLII, pp. 100, 126-7, 140-2 respectively; *Hindu*, 18 March 1903; *ABP*, 19, 23 March 1903; *Bengalee*, 21 March 1903; papers covered by *VOI* for 28 March, 4, 11 Apr. 1903, *RNPBom.* for 21, 28 March 1903, *RNP Beng.* for 28 March, 4, 11 Apr. 1903, *RNPP* for 4, 11, 25 Apr. 1903, *RNPUP* for 28 March, 4, 11 Apr. 1903, *RNPM* for 21 March 1903; Resol. VIII of INC for 1903.

146. See, for instance, Gokhale, *Speeches*, p. 77, and Resol. VIII of INC for 1903.

top leaders of the Indian National Congress as well as the owners and editors of the more important nationalist newspapers, like the *Amrita Bazar Patrika*, the *Hindu*, the *Mahratta*, the *Bengalee*, the *Hitavadi*, the *Sanjivani*, the *Indu Prakash*, the *Indian Spectator*, and the *Swadesamitran*, were of certainty liable to be assessed to the income tax and were otherwise escaping the dragnet of direct taxes, or even of most of the indirect ones.[147] But they were willing to offer themselves for being taxed and, thus, to suffer this self-injury, so that the foreign officials of the Government of India might also be taxed. This attitude of the Indian nationalist leaders is, on the one hand, a sign of the rising tide of sentiments of nationalism and hostility to the foreign rulers of the land at this time and, on the other, a proof of the willingness of the nationalist leaders of the day to subordinate their own personal interests to the general, national weal.[148]

The only section of the population whose interests in the matter were taken up for advocacy by the national leadership was that consisting of persons with annual incomes below Rs. 1,000, or, in other words, of poor shopkeepers and low-paid government employees. It must be pointed out in this

147. This implication of the nationalist approach was publicly stressed by the editor-owner of the *Amrita Bazar Patrika* on 23 Oct. 1902. He pointed out that he was supporting the income tax even though he had to pay a large amount on account of it.

148. The majority of the Indian leaders escape, therefore, the strictures passed in 1886 by A. Colvin, Finance Member, on the classes that they seemed more willing to impose the burden of taxation on the masses than 'to lift so much as a corner of it with their own fingers', and that they, especially the merchants and professional men contributed 'least towards the support of the government in the light of whose power they bask'. Colvin had made fun of 'our friends the journalists' for making a considerable untaxed income, and promised to remove the 'blot' of 'the immunity of the middle and upper classes from their due share of the public burdens' (*LCP*, 1886, Vol. XXV, pp. 11 and 18). As we have shown, the Indian journalists and other nationalist leaders were willing to go more than half way in helping the government with the task. In fact, as has been brought out in the next section on the salt tax, it was the government which refused — two years later — to travel further on that road and it was left to the Indian leadership to trenchantly criticise it for this refusal. Cf. Dufferin's Minute, enclosure to *Despatch (public) of Government of India*, No. 67, dated 6 Nov. 1888.

connection that the stand of Indian leadership in favour of raising the exemption limit of the income tax was not only quite correct on the grounds of social justice and equity but was on all counts a legitimate political device for attracting the small shopkeeper and the lower-level government servant to the nationalist fold. Even in this case, however, many of the Indians fought harder for the reduction of the salt tax and land revenue than for raising the exemption level of the income tax. As a matter of fact, some of the Indian leaders recommended, very consciously and overtly, the above order of priorities in any scheme of grant of relief in taxation.[149] It may also be noted that the Indian leadership did not, in fact, mechanically represent in the matter of the income tax the interests of the big merchants and landlords, who were constantly pleading and agitating for the repeal of the tax.[150]

VI. SALT TAX

The tax on salt was the second most important source of revenue to the Government of India during the years 1880 to 1905. The mode of taxing salt varied from province to province. In Bombay, the tax took the form of an excise duty, in

149. For instance, the *Hindu* of 8 Apr. 1889 pointed out that after all even a person from the lower middle-class earning Rs. 500 to 1,000 a year was in a better position to pay taxes than the poor man who paid salt tax. It, therefore, demanded that as between the two the poor man should have priority in any expected relief. See also S. N. Banerjea in CPA, pp. 703-04; and P. A. Charlu, *LCP*, 1902, Vol. XLI, p. 119. For the view point that any relief in taxation should go to relieve the burden of the salt tax and land revenue rather than of the income tax, see *ABP*, 4 Feb. 1886; *Mahratta*, 14 Dec. 1890; *Sanjivani*, 30 Aug. (*RNPBeng.*, 6 Sept. 1890); Memorial of the Poona Sarvajanik Sabha, dated 23 Dec. 1890, *JPSS*, Jan. 1891 (Vol. XIII, No. 3), p. 80; *Mahratta*, 29 May 1904.

150. In 1882, the Calcutta merchants' representative in the Imperial Legislative Council, Durga Charan Laha, and the Bengal Zamindars' representative, Jotendra Mohan Tagore, opposed the reduction of the salt tax and recommended, instead, removal of the lieense tax (*LCP*, 1882, Vol. XXI, pp. 290-1, 304). In 1889, Durga Charan Laha opposed any reduction of the salt tax and pleaded that instead the income tax should be abolished for the latter action would 'afford a substantial relief and would be really appreciated by the people' (*LCP*, 1889, Vol. XXVIII, p. 141). In 1890, the Bengal National Chamber of Commerce memorialised the government for the repeal of the income tax (*Report of the Chamber* for 1890. p, 23).

Bengal it was levied chiefly as customs duty on imported salt,[151] and in Madras, Northern India, and the Punjab it was included in the price fixed by the government on its own production of salt as a monopoly.

The rates at which the salt tax was levied differed widely from province to province till 1878-79,[152] when near uniformity was introduced after the notorious inland customs line was abolished. The salt duties were equalised by revising them downwards in Northern India from Rs. 3 to Rs. 2-8 per maund and in Bengal from Rs. 3-4 to Rs. 2-14 and upwards in Madras and Bombay from Rs. 1-13 to Rs. 2-8. For the government the adjustment proved advantageous, as the salt revenue increased by nearly £1 million during 1875-77 to 1879-81.[153] But the burden of this increase was perhaps not felt by the people to the full extent of the increase because at the same time the market price of salt was favourably influenced by the contemporaneous extension of transportation facilities.

Even before 1858, the salt duties had come in for criticism at the hands of prominent Indians.[154] Up to 1882, the Indian leaders generally pressed for a reduction, or even for the abolition, of the salt tax; and since the process of equalisation of the tax begun in 1859 had led to a steep rise in it in the Bombay Presidency, naturally the criticism of the tax, as well as of the increase in it, was most vocal in that province.[155] For

151. Bengal and Assam got nearly the whole of their salt supply from England and Europe, mainly because the indigenous salt industry was unable to compete with the imported salt, which came 'virtually as ballast' in foreign ships, after the duty on local salt and imported salt was equalised (P. Banerjea, *Indian Taxation*, pp. 280-6; Vakil, *op. cit.*, pp. 457-8).

152. In 1859, these rates were as follows: Bengal, Rs. 2-8 a maund; Madras, 14 as.; Bombay, 12 as.; Northern India, Rs. 2 (P. Banerjea, *Indian Taxation*, p. 278).

153. John and Richard Strachey, *op. cit.*, pp. 219-32.

154. See, for example, P. Banerjea, *Indian Taxation*, p. 277; B. B. Majumdar, *op. cit.*, pp. 204, 484-5; Dutt, *EHII*, pp. 150-1.

155. For instance, Naoroji, *Speeches*, Appendix p. 178, *Essays*, p. 107; *Native Opinion*, 18 Aug. (RNPBom., 24 Aug. 1872); *Satya Shodhak*, 5 Sept., *Jagan Mitra*, 6 Sept., *Dnyan Prakash*, 16 Sept. (*ibid.*, 18 Sept. 1875); *Bombay Samachar*, 21 Sept. (*ibid.*, 25 Sept. 1875); *Shubha Suchak*, 22 Jan. and *Rast Goftar*, 14 Jan. (*ibid.*, 20 Jan. 1877); *Surya Prakash*, 5 Jan., *Gujarat Mitra*, 6 Jan.; *Jame Jamsed*, 10 Jan. (*ibid.*, 12 Jan. 1878); *Indu Prakash*, 14 Jan.,

instance, in 1880 Dadabhai Naoroji called the salt tax a 'stigma' upon the British name.[156]

We may also simultaneously take note of the fact that another section, though a minor one, of the Indian leadership tended to support the salt tax. Naturally enough, this section was to be found mainly in Bengal, where changes in the salt tax had been in the downward direction and where the zamindars had always shown a keen anxiety to defend their own interests at the cost of the interests of the ryots. Two early representatives of the pro-salt tax lobby in Bengal were Raja Digambar Mitra and Kristodas Pal.[157] But much more surprising is the fact that we find the *Amrita Bazar Patrika* also advocating an increase in the salt tax in place of other taxes like the road cess.[158] The reason advanced by its editors for taking such an unexpected stand was that the salt tax in Bengal was primarily an import tax on salt brought from Liverpool and Cheshire and an increase in the tax was likely to be borne entirely by foreigners.[159]

In 1882, the government reduced the salt tax, fixing it at Rs. 2 per maund throughout the country except in Burma or in the trans-Indus districts of the Punjab. The nationalist reaction to the step was a mixed one. The *Mahratta*, several other Bombay papers, and some of the Bengal papers, welcomed it and urged the government to reduce the tax further

Rast Goftar, 13 Jan. (*ibid.*, 19 Jan. 1878); *Native Opinion*, 20 Jan. (*ibid.*, 26 Jan. 1878); *Bombay Chronicle*, 14 March, *Jame Jamsed*, 17 March (*ibid.*, 20 March 1880); 'The Finances of India under Lord Lytton,' *JPSS*, Apr. 1880 (Vol. II, No. 4), p. 30; 'Proceedings of the Sabha', *JPSS*, July 1880 (Vol. III, No. 1), p. 3; 'The Viceroyalty of Lord Lytton', *ibid.*, p. 63; *Bharat Mihir*, 27 July (*RNPBeng.*, 7 Aug. 1880); *Mahratta*, 15 May 1881; '"The Indian Salt Tax"—a Book Review', *JPSS*, July 1881 (Vol. IV, No. 1), pp. 59-61; *Indian Spectator*, 14 Aug. (*RNPBom.*, 20 Aug. 1881); *Kesari*, 23 Aug. (*ibid.*, 3 Sept. 1881); *Indian Spectator and Rast Goftar* of 29 Jan. (*ibid.*, 4 Feb. 1882); *Hindi Pradip*, Jan. 1879 (*RNPPN*, 11 Jan. 1879).

156. Naoroji, *Poverty*, p. 215.

157. B. B. Majumdar, *op. cit.*, pp. 314 and 317.

158. For the *Patrika's* stand in 1877, see *ibid.*, p. 383. For its stand in 1881, see the issue dated 30 June 1881. Also see *Navavibhakar*, 26 Jan. (*RNPBeng.*, 31 Jan. 1880); *Ananda Bazar Patrika*, 11 July (*ibid.*, 23 July 1881).

159. *ABP*, 30 June 1881. Also *Ananda Bazar Patrika*, 11 July 1881, *loc. cit.*

or even to abolish it.[160] On the other hand, the *Amrita Bazar Patrika* and several other papers from Bengal and Northern India felt that the step was not really called for as the salt tax was never felt to be oppressive by the people and that relief should have, instead, been given to those paying the licence tax.[161]

Between 1882 and 1888, many nationalist voices were raised against the salt tax. For instance, G. V. Joshi, who can be credited with having pioneered the anti-salt tax agitation, started his campaign against the salt tax during these years. In his paper on 'Ways and Means of Meeting the Additional Army Expenditure', published in April 1886, he made a detailed analysis of the salt tax and its impact on the life and labour of the people. He protested vehemently against the proposal for enhancing the salt tax, condemned the 'fatal disposition in some quarters' to look upon it as a financial reserve, and deprecated 'its being maintained as a part of the permanent taxation of the country'.[162] At the very first session of the Indian National Congress in 1885, S. A. Swaminath Iyer and V. S. Pantulu inveighed against any attempt to enhance the salt tax and urged the Congress and the people to raise their voice against any such eventuality.[163] Some of the leading nationalist newspapers also pleaded for a reduction in, or abolition of, the salt tax during these years.[164] On the other

160. *Mahratta*, 2 Apr. 1882; *Bombay Samachar* and *Jame Jamsed*, 10 March (*RNPBom.*, 11 March 1882); *Arunodaya*, *Native Opinion*, *Rast Goftar*, and *Indian Spectator* of 12 March (*ibid.*, 18 March 1882); *Som Prakash*, 13 March (*RNPBeng.*, 18 March 1882); *Sulabh Samachar* and *Bangabasi*, 18 March (*ibid.*, 25 March 1882); *Sadharani*, 19 March (*ibid.*, 1 Apr. 1882).

161. *ABP*, 16 March 1882; *Bharat Mihir*, 14 March, *Sahachar*, 15 March, *Navavibhakar*, 20 March, (*RNPBeng.*, 25 March 1882); *Charu Varta* and *Ananda Bazar Patrika*, 20 March, *Behar Bandhu*, 30 March (*ibid.*, 1 Apr. 1882); *Paridarshak*, 26 March (*ibid.*, 8 Apr. 1882); *Akhbar-i-Am*, 12 Apr. (*RNPPN*, 19 Apr. 1882); *Rahbar-i-Hind*, 24 Apr. (*ibid.*, 26 Apr. 1882).

162. Joshi, *op. cit.*, pp. 89-100. Also see p. 3.

163. *Rep. INC for 1885*, pp. 69 and 73.

164. *Mahratta*, 25 Jan., 22 March 1885; *Shivaji*, 23 Jan., *Jame Jamsed*, 29 Jan. (*RNPBom.*, 31 Jan. 1885); *Native Opinion* and *Indian Spectator*, 22 March (*ibid.*, 28 March 1885); *Hindu*, 3 Apr. 1885; *Swadesamitran*, 18 Jan. (*RNPM*, Jan. 1886); *Bangabasi*, 2 and 23 Jan. (*RNPBeng.*, 9 and 30 Jan. 1886).

side, several other newspapers advocated in 1886 the enhancement of the salt tax in place of the imposition of the income tax.[165]

By 1888, the finances of the Government of India were once again in the doldrums as a result of the conquest and annexation of Upper Burma, military operations on the North-West Frontier, and the continued fall in exchange, and imposition of fresh taxation once again became imperative. This led James Westland, the then Finance Member, to enhance the duty on salt by an executive order, dated 19 January 1888, from Rs. 2 per maund to Rs. 2-8.[166] In 1902, the gross income from the tax amounted to Rs. 9.1 crores as against Rs. 7.6 crores in 1888.[167]

The enhancement of the salt tax aroused a powerful wave of dissatisfaction, anger, and protest in India. Many leading nationalist newspapers of the country, including the *Mahratta*, the *Hindu*, the *Bengalee*, and even the *Amrita Bazar Patrika*, denounced the measure in strong and pungent language.[168] Some of the Indian language newspapers protested in a manner that bordered on the seditious. For instance, the *Kesari*,

165. See f.n. 100 above. See, for example, *Tribune*, 1 May (VOI, May 1886).

166. *LCP*, 1888, Vol. XXVII, p. 20.

167. Thomas, *op. cit.*, p. 498.

168. *Mahratta*, 22 and 29 Jan. 1888; *Hindu*, 25 Jan. 1888; *Bengalee*, 28 Jan. 1888; *ABP*, 26 Jan. 1888; the Reporter on the Native Press, Bombay, observed in the *Reports* for the weeks ending 28 Jan. and 4 Feb. 1888 that almost all the papers of the week wrote more or less indignantly about the increase in the salt duty; also see RNPBom. for 11 Feb. 1888; *Sanjivani*, 21 Jan., *Navavibhakar Sadharani*, 23 Jan. (RNPBeng., 28 Jan. 1888); *Surabhi-o-Pataka*, 26 Jan., *Priya Bandhu* and *Samaya* 27 Jan., *Bangabasi*, 28 Jan., *Dacca Prakash*, 29 Jan. (*ibid.*, 4 Feb. 1888); *Hindu Ranjika*, 1 Feb., *Jagatbasi*, 2 Feb., *Pratikar*, 3 Feb. (*ibid.*, 11 Feb. 1888); nearly all the papers covered by RNPM for 31 Jan., 15, 29 Feb. 1888; *Koh-i-Noor*, 28 Jan. (RNPPN, 31 Jan. 1888); *Hindustan*, 1, 2, 3 Feb., *Punjabi Akhbar*, 4 Feb., *Subodh Sindhu*, 1 Feb. (*ibid.*, 7 Feb. 1888); *Oudh Akhbar*, 10 Feb. (*ibid.*, 14 Feb. 1888); summarising the opinion of the newspapers received in the office of the *Voice of India*, its editor wrote that most of them strongly protested against the increase in the salt tax, VOI, Feb. 1888; *Native Opinion*, 22 Jan., *Indian Nation*, 23 Jan., *Indian Union*, 25 Jan., *People's Friend*, 28 Jan. (VOI, Feb. 1888); *Behar Herald* and *Tribune*, 11 Feb. (*ibid.*, March 1888).

edited at the time by B. G. Tilak, commented in its issue dated 31 January 1888:

> There are no people so miserable as those of India. If a sinful man is to be punished he should be sent to India.... These thoughts have been suggested by the recent order of Government on the subject of the salt duty.... This inhuman action could be taken only by him who was unmindful of the utterly distressful condition of the people of India.... The present is the time when such men as hold the opinion that the country conquered by the sword should be preserved also by the sword are in the ascendant.... *The cat is naturally meek, but when hard-pressed it is likely to turn to bay and to become irresistible. Such a contingency is possible in the case of the Hindu and it is worth remembering that there is fear of a permanent possession being lost by shrinking from a little burden of taxation on the English people.*[169]

The *Bodh Sudhakar* of 25 January 1888 warned that 'the present addition is but the thin edge of the wedge and its introduction into the mortal wounds of India is fraught with great danger to contentment and peace among the masses of the people'.[170] The *Maharashtra Mitra* of 8 March 1888, provoked among other things by the enhancement of the salt tax, published a dialogue between a Hindu and an Englishman, where the Hindu likens Lord Dufferin to a 'butcher' and to the protests of the Englishman replies: 'Is not the increase in the salt-tax like sucking the life-blood'.[171] Similarly, the *Praja Bandhu* of Bengal exclaimed in its issue dated 27 January 1888: 'Cursed was the hour when His Excellency Lord Dufferin set foot on Indian soil.'[172]

169. *RNPBom.*, 4 Feb. 1888.

170. *Ibid.*, 28 Feb. 1888. Similarly, the mild-voiced *Indu Prakash* warned in its issue dated 30 Jan. 1888: 'It is said that, like Lord Dalhousie, who by his annexation policy created for Lord Canning the task of coping with the mutiny, Lord Dufferin is perhaps doing the same for his successor by increasing the various imposts on the people' (*RNPBom.*, 4 Feb. 1888).

171. *RNPBom.*, 17 March 1888.

172. *RNPBeng.*, 4 Feb. 1888. *Satya Shodhak* of Bombay commented in its issue dated 25 Jan. 1883 that, by committing 'such an unpardonable blun-

The increase in the salt tax again incited G. V. Joshi to make a scathing attack on the salt tax policy of the government in 1888.[173] Finally, the question was taken up by the Indian National Congress of 1888 which adopted a resolution putting 'on record its disapproval' of the measure.[174] Interestingly enough, however, this resolution was carried by the Congress against the wishes of its own Standing Committee which had earlier rejected it on the ground that it was 'useless' to ask for the repeal of the enhancement so soon after it had been made.[175] It is also, therefore, not surprising that none of the top leaders of the Congress spoke on the resolution that was moved and seconded by two back-benchers from the Ratnagiri district.[176]

As if to take away from the near-unanimity of the nationalist opinion on the question, a few voices were also raised in defence of the official step.[177] It is, however, to be noted that most of the earlier dissidents belonging to the Fourth Estate, like the *Amrita Bazar Patrika* and the *Tribune*, were missing from their list, having rejoined at this time the mainstream of nationalist sentiment on the question.

This strong condemnation of the salt tax was continued in later years also and a persistent demand for its reduction was continually raised by the national leadership. The Indian National Congress fully represented the nationalist mood in

der', Lord Dufferin had rendered 'his name hateful to the people of India' (RNPBom., 28 Jan. 1888). The *Gujarat Mitra* of 22 Jan. sarcastically remarked that Lord Dufferin 'will leave the country with disrepute and will be hissed', and prayed: 'By the will of God, may he leave India early!' (*ibid.*).

173. Joshi, *op. cit.*, pp. 137-90. Indignant at the injustice of the official policy, he declared: 'Viceroys and Secretaries of State come and go—the bubbles of their ephemeral reputation burst in vanity; but not so with the toiling millions of the land. They are constitutionally speechless, but none the less will they resent the injustice and hardship that are thus sought to inflict upon them' (*ibid.*, p. 140).

174. Resol. XV.

175. *Rep. INC for 1888*, p. 179.

176. *Ibid.*, pp. 179-80.

177. *Indian Mirror*, 22 Jan. (VOI, Feb. 1888); *Som Prakash*, 23 Jan. (RNPBeng., 28 Jan. 1888); *Burdwan Sanjivani*, 24 Jan., *Sahachar*, 25 Jan. (*ibid.*, 4 Feb. 1888).

this respect and year after year passed resolutions demanding an immediate reduction of this tax.[178] Many prominent nationalists followed suit.[179] And G. K. Gokhale, the politician-pupil of G. V. Joshi, made the salt duty question one of his favourite political issues, and carried on his master's work from the political platform and in the legislative chamber.[180] Similarly, most of the nationalist newspapers carried on over the years an unbroken agitation against the tax.[181] It is of some interest to note in this context the contents of a letter to the editor from an English merchant named R. D. Rusden published in the *Mahratta* of 21 July 1889. Though obviously it was the expression of an individual's opinion, its publication — that nearly landed the editor in gaol[182]—inevitably carried some measure of editorial approval by Tilak. Advising the Indian leaders to carry on an agitation modelled on the anti-corn law agitation, Rusden asked the Indians to tell the government that 'a large proportion of what is called death by famine is really murder by salt tax: the whole thing is hateful and shameful and scandalous, and we insist upon the sweeping away of the tax; and if you do not repeal it, we will try and make

178. Resol. III(i) of 1899: V of 1890; VI(a) of 1891; V(a) of 1892; III(a) of 1893; XVI(a of 1894; XIX of 1895; VIII of 1896; IV of 1897; XX of 1898; XIII of 1899; X of 1900; XIX of 1901; XIII of 1902. Also Memorial of the Poona Sarvajanik Sabha, dated 23 Dec. 1890, *JPSS*, Jan. 1891 (Vol. XIII, No. 3), pp. 79-80. The different Provincial Congresses also took up the question at their annual sessions.

179. Naoroji in *CPA*, p. 177, *Speeches*, p. 142 (he called the salt tax 'the most cruel Revenue imposed in any civilised country'.); Wacha, *Rep. INC for 1890*, pp. 37-9, *Rep. INC for 1895*, p. 158; S. N. Banerjea, *Speeches III*, p. 160, *S.&W.*, p. 312, in *Report of the Bengal National Chamber of Commerce*, 1888, p. 34; Ray, *Poverty*, pp. 266-7; P. A. Charlu, *LCP*, 1896, Vol. XXXV, pp. 84, 285; G. V. Joshi, *op. cit.*, pp. 191-202, 1136; G. R. M. Chitnavis, *LCP*, 1899, Vol. XXXVIII, p. 234; P. A. Charlu, *ibid.*, p. 243, and *LCP*, 1902, Vol. XLI, p. 118.

180. See, for example, *Rep. INC for 1890*, p. 39 and *Rep. INC for 1895*, p. 151.

181. For instance, *Bengalee*, 9 March 1889; *Onami Akhbar*, 7 Feb. (*RNPP*, 9 Feb. 1889); *Koh-i-Noor*, 5 March (*ibid.*, 9 March 1889); *Mahratta*, 15 Dec. 1890, 23 Jan. 1891; *Hindu*, 10 Jan. 1891; *Bengalee*, 28 March 1891; *RNPBom.*, 28 March and 4 Apr. 1891; *Paisa Akhbar*, 1 Apr. (*RNPP*, 18 Apr. 1891); *Akhbar-i-Am*, 16 Apr. (*ibid.*, 25 Apr. 1891).

182. Ram Gopal, *op. cit.*, pp. 45, 47.

it so hot and disagreeable for you that before long you will have to drop it whether you like it or not.' Anticipating the course of action adopted by Mahatma Gandhi about 40 years later, he counselled the Indian leaders 'to advise your people to avoid the tax by preparing their own salt... and you can encourage them to do this by raising funds for their protection and defence in case of need.'

Later, when at the turn of the century surpluses began to appear in the budgets, most of the Indian leaders agitated for their utilisation, first of all, for reducing the salt tax.[183] Addressing the Millowners' Association, D. E. Wacha went to the extent of pleading that the salt tax should be reduced even before the cotton excise duty was removed.[184]

Ultimately, the government announced in 1903 a reduction of 8 annas per maund in the salt tax. As was to be expected, the announcement was greeted joyously by the Indian leadership; at the same time, however, the demand for a further lowering of the tax was put forward.[185] The demand was reiterated in the following months and years.[186] And when, in 1905, the government granted a further relief of 8 annas a

183. *Swadesamitran*, 16 Apr. (*RNPM*, 4 Dec. 1900); *Bengalee*, 16 Oct. 1901; *Bharat Jivan*, 17 Feb. (*RNPUP*, 22 Feb. 1902); Gokhale, *Speeches*, pp. 10-3; P. A. Charlu, *LCP*, 1902, Vol. XLI, pp. 118-9; *Hitavadi*, 4 Apr. (*RNPBeng.*, 12 Apr. 1902); *Resol. XIII of INC for 1902*; *Swadesamitran*, 17 Jan. (*RNPM*, 17 Jan. 1903). In his Presidential Address to the Congress of 1902, S. N. Banerjea declared: 'But if taxation is to be remitted, the practical question to consider is what is the tax which should have a preferential consideration. I have no hesitation in saying that the duty on salt is the first that should be dealt with' (*CPA*, p. 703).

184. Wacha, *Speeches*, p. 434.

185. *Resolution VIII of INC for 1903*; Gokhale, *Speeches*, pp. 38, 40-1; Sri Ram and P. A. Charlu, *LCP*, 1903, Vol. XLII, pp. 99-100 and 140-2; *Mahratta*, 22 March 1903; *Hindu*, 18 March 1903; *Bengalee*, 19, 21, 25 March 1903; *Voice of India*, 21 March 1903; *Madras Standard*, 18 March (*VOI*, 28 March 1903); *Indu Prakash*, 19 March, *Indian Mirror*, 20 March, *Indian Social Reformer*, 22 March (*ibid.*, 4 Apr. 1903); *Advocate*, and *New India*, 26 March (*ibid.*, 11 Apr. 1903); papers covered by *RNPBom.* for 21, 28 March, 4 Apr. 1903, *RNPBeng.* for 28 March, 4 Apr. 1903, *RNPM* for 21, 28 March 1903, *RNPUP* for 28 March, 4, 11 Apr. 1903, *RNPP*, 28 March, 4, 11, 25 Apr. 1903.

186. For instance, see *Hindu*, 18 Nov. 1903; *Hindustan Review and Kayastha Samachar*, Sept. 1902; Gokhale, *Speeches*, pp. 77-9; *Resol. VIII(b) of INC for 1904*.

maund in the tax, the Indians reacted with another round of congratulations, accompanied by a demand for still further reduction.[187]

However, while the dominant section of Indian national leadership was campaigning against the salt tax, a small minority, mainly led by the *Amrita Bazar Patrika*, expressed itself in favour of relief in the income tax or other taxes rather than in the salt tax.[188] As already pointed out earlier, the *Amrita Bazar Patrika* had for a brief spell of time in 1888 reversed its previous support to the salt tax and opposed the increase in the tax; but, after 1888, it once again reverted to its earlier stand.[189]

VII. REASONS FOR NATIONALIST ATTACK ON SALT TAX

What were the economic reasons advanced by the Indian leadership for attacking the salt tax? They started by raising a doctrinal objection. They declared that it was one of the basic canons of good finance and fair taxation that a prime necessity of life, which salt obviously was, should not be taxed, and that too to such an inordinate extent.[190] They then questioned the very basic formulation of the administrators that even though

187. Resol. VII of INC for 1905; Gokhale, *Speeches*, pp. 93-5; *Mahratta*, 26 March 1905; *Bengalee*, 28 March 1905; papers covered by *RNPBom.* for 25 March, 1, 8 Apr. 1905, *RNPBeng.* for 1, 8 Apr. 1905, *RNPM* for 1, 8 Apr. 1905); *Citizen*, 3 Apr. (*RNPUP*, 8 Apr. 1905).

188. D. P. Sarvadhikari, *Rep. INC for 1890*, pp. 43-4. He criticised the demand for reduction in the salt tax as a sectional demand of Madras and Bombay. Also *Dainik-o-Samachar Chandrika*, 20 Feb. (*RNPBeng.*, 24 Feb. 1894).

189. *ABP*, 4 Dec. 1902, 12 Jan., 23, 24 March 1903, 27 March 1905. One of the arguments it advanced was that any benefit of the reduction would accrue to the salt merchants of Liverpool and Cheshire.

190. Naoroji, *Poverty*, pp. 215-6; 'The Indian Salt Tax', *JPSS*, July 1881 (Vol. IV, No. 1), pp. 59-61; Joshi, *op. cit.*, p. 91; *Kesari*, 24 Jan. (*RNPBom.*, 28 Jan. 1888); *Sanjivani*, 28 Jan. (*RNPBeng.*, 4 Feb. 1888); *Hindusthan*, 1, 2, 3 Feb., *Subodh Sindhu*, 1 Feb., *Punjabi Akhbar*, 4 Feb. (*RNPPN*, 7 Feb. 1888); S. N. Banerjea, *Speeches III*, p. 161, and in *CPA*, p. 703; Wacha, *Rep. INC for 1890*, p. 38; *Paisa Akhbar*, 1 Apr. (*RNPP*, 18 Apr. 1891); Ray, *Poverty*, pp. 261-2; Gokhale, *Speeches*, pp. 13, 94. Putting this objection in a very picturesque language at the Congress of 1890, Lala Murlidhar of the Punjab described the salt tax as 'a tax on hunger and on thirst; it is a tax on one's life' (*Rep. INC for 1890*, p. 42).

the tax yielded such rich revenue its burden was not felt by the people to be at all oppressive, since it was spread over a large part of the population.[191] They said that its incidence should be gauged not in the abstract but in the context of, and with reference to, the stark poverty of the people of India. When the low level of income of the people was taken into consideration, even the tax burden of a few annas per head could be seen for what it was in reality—back-breaking. Explaining this line of argument, G. V. Joshi observed that the salt tax would not have been so mischievous if, among other things, there had been a 'steady, advancing improvement in the condition of the poorer classes, so as to leave them a larger and larger margin of income for their necessary expenditure'.[192] Graphically illustrating this assertion, N. V. Barve, mover of the resolution on the salt tax at the Allahabad Congress of 1888, pointed out: 'There are millions on millions to whom that eight annas extra means eight meals less in a year, and that to people who, even before this enhancement, never got more than one meal in the 24 hours.'[193] Some of the nationalists sought to lend added support to their argument by making mathematical calculations of the incidence of the salt tax. For example, in 1890, Pringle Kennedy calculated that while the average incidence of the salt tax, at an income of Rs. 5 per month for a family of 5, was 6 pies in the rupee, the income tax was only 4 pies in the rupee in the lower slab.[194] Similarly, D. E. Wacha calculated in the same year that salt duty

191. See, for instance, Duke of Argyll's Despatch, dated 21 Jan. 1869, quoted in John Strachey and Richard Strachey, *op. cit.*, pp. 222-3; Lytton, *LCP*, 1878, Vol. XVII, pp. 99-100; Westland, *LCP*, 1888, Vol. XXVII, p. 20.

192. Joshi, *op. cit.*, pp. 184-5.

193. *Rep. INC for 1888*, p. 179. Making the same point at the Congress of 1890, Mohini Mohan Chatterjea exclaimed: 'When gentlemen occupying high positions, cuddled in the lap of luxury, say, "Oh, the poor won't feel it", there is something so chilling, so discouraging, so sickening in this cynicism that the power of adjectives is quite unable to properly characterise such base and selfish utterance' (*Rep. INC for 1890*, p. 46). For other similar comments, see Joshi, *op. cit.*, pp. 186-7; Naoroji, *Speeches*, Appendix, p. 64; Malaviya, *Speeches*, pp. 30-1; Ray, *Poverty*, p. 265; *Hindu*, 18 Nov. 1903.

194. *Rep. INC for 1890*, p. 36.

constituted 1.1 per cent of per capita income even if the latter was taken to be £2.[195]

The chief ground for the nationalist attack on the salt tax was its 'unjust and vicious' character arising out of the fact that it fell most heavily, oppressively, and 'cruelly' on the 'poorest of the poor' of the land, who could not afford to pay any taxes, and whose income barely sufficed—or in many cases failed to suffice—to maintain body and soul together.[196] This was the main reason advanced by the Indian National Congress for repeatedly opposing the enhancement of the tax.[197] In this context, a few of the Indian leaders also took note of the financial inequity and the regressive character of the salt tax. This was the main ground on which, as early as 1871, Dadabhai Naoroji objected to the salt tax. In his 'Statement to the Select Committee on East India Finance', he pointed out that the incidence of its burden on the poor was not similar 'to that on the other classes for the share they pay towards revenue'. After stating that the burden of the salt tax on a poor cooly, workman, or peasant was about 4 per cent of his paltry income of 20s a year, he contended that '4 per cent out of 20s is far

195. *Ibid.*, p. 37. See also Wacha in C.L. Parekh, *op. cit.*, p. 343.

196. Naoroji, *Speeches*, Appendix p. 178; S. A. Swaminath Iyer, *Rep. INC for 1885*, p. 69; Public Memorial by citizens of Bombay, dated 18 March 1888, *JPSS*, Jan.-Apr. 1888 (Vol. X, Nos. 3-4), p. 18; *Bengalee*, 28 Jan. 1888; *Hindu*, 25 Jan. 1888; *Mahratta*, 29 Jan. 1888; *ABP*, 26 Jan. 1888; *Indian Spectator*, *Native Opinion*, 22 Jan., *Indian Nation*, 23 Jan., *Indian Union*, 25 Jan., *People's Friend*, 28 Jan. (*VOI*, Feb. 1888); *Behar Herald*, *Tribune*, 11 Feb. (*ibid.*, March 1888); *Swadesamitran*, 28 Jan. (*RNPM*, 31 Jan. 1888); N. V. Barve, *Rep. INC for 1888*, p. 179; S.N. Banerjea, *S and W*, p. 312; Wacha, *Rep. INC for 1890*, p. 37, and *Speeches*, p. 434; G.S. Iyer, *Welby Commission*, Vol. III, Q. 18762; Malaviya, *Speeches*, pp. 30-1; Ray, *Poverty*, pp. 265-6; P.A. Charlu, *LCP*, 1902, Vol. XLI, p. 118; *Hindu*, 18 Nov. 1903. Drawing a 'vivid picture of the misery of the mass of the people affected by the enhancement of the salt duty', G.K. Gokhale declared in 1890 that it had entailed 'grievous and terrible hardship, suffering and privation' to the very poor—the ones 'who always exist on the border land of famine'. In his detailed essays on the subject, G.V. Joshi had, of course, fully brought out this point of view. Gokhale, *Rep. INC for 1890*, p. 40; *Report INC for 1895*, pp. 150-1, *Speeches*, pp. 11, 95; Joshi, *op. cit.*, pp. 83-105, 137-90, 191-202. See, in particular, pp. 3, 92, 140, 149, 167, 185-7, 195, 1136.

197. Resol. XV of 1888; XIX of 1895; VIII of 1896; IV of 1897; XX(iib) of 1898; XIV(iib) of 1899; X(iib) of 1900; XIX(iib) of 1901.

more important to the poor man than 10 or 20 per cent out of the income of the richer classes'.[198] Similarly, in 1880, the anonymous writer of the article, 'The Finances of India under Lord Lytton', in the *Journal of the Poona Sarvajanik Sabha*, wrote that 'the fact that this tax reaches in its incidence the poor and the rich alike and not proportionately to their means, is the most powerful reason why it should be religiously kept at such a low rate as not to fall oppressively upon the poor masses'.[199] Similar sentiments were expressed by other leaders.[200] It was, however, G. V. Joshi who articulated this view most clearly and unambiguously in 1886 and argued that 'the equality in the amount paid is a false equality, it does not imply true equality—namely, the "equality of sacrifice".'[201] Two years later, in 1888, he endeavoured to show that the salt duty enhancement 'tends to aggravate the inequalities in the distribution of public taxation' as between the poor and the rich.[202]

The next test applied by the Indian leadership was that of the effect of the tax on the consumption of salt. It should be noted in this connection that the British Indian administrators were in the past equally willing to put their salt tax policy to such a test.[203] Even James Westland had, while enhancing the tax in 1888, expressed the hope 'that the burden of a duty of Rs. 2-8 will not now have any effect in restricting the rate at which the consumption is increasing'.[204] The Indian leaders were, on the other hand, convinced that the practical effect of the high rate at which the salt tax was maintained, and, in

198. Naoroji, *Speeches*, Appendix p. 178.

199. *JPSS*, Apr. 1880 (Vol. II, No. 4), p. 30.

200. *Sanjivani*, 28 Jan. (*RNPBeng.*, 4 Feb. 1888); Memorial adopted at Poona, *JPSS*, Jan.-Apr. 1888 (Vol. X, Nos. 3-4), p. 31; J. Mudaliar, *Rep. INC* for 1890, p. 46; Gokhale, *Speeches*, p. 40.

201. Joshi, *op. cit.*, p. 91.

202. *Ibid.*, p. 185. Also see pp. 149, 188.

203. Duke of Argyll's Despatch of 1869, quoted in John Strachey and Richard Strachey, *op. cit.*, p. 222; *Financial Statement*, 1877. On the other hand two former Finance Members, E. Baring and A. Colvin, had given it as their considered view that any increase in the salt tax would increase the burden on the poor and check their consumption of salt (*LCP*, 1882, Vol. XXI, pp. 321-3, and *LCP*, 1886, Vol. XXV, pp. 9-10).

204. *LCP*, 1888, Vol. XXVII, p. 20.

particular, of its enhancement in 1888, was to restrict and diminish the consumption of salt. This in turn meant tremendous suffering and hardship for the people, since salt was a commodity that was essential for the very physical existence and well-being of man.[205]

Once again, it was G. V. Joshi who put forward the nationalist case in a reasoned and powerful manner. As usual, his main appeal was to 'facts'. He set out to make a detailed statistical analysis of the experience of the last 19 years.[206] He showed that changes in the rates of the tax were 'invariably followed by changes in consumption, increases following reductions of duty, and decreases following enhancement of duty'.[207] He further pointed out that it was only the very poor who felt compelled to cut down their consumption of salt when its price increased. While the well-off or nearly well-off members of the middle and upper middle classes certainly did not have to ever stint on their salt, on the

205. *Satya Shodhak*, 5 Sept., *Jagan Mitra*, 6 Sept., *Dnyan Prakash*, 16 Sept. (*RNPBom.*, 18 Sept. 1875); *Kesari*, 23 Aug. (*ibid.*, 3 Sept. 1881); *Indian Spectator*, 22 Jan, *Kesari*, 24 Jan., *Shubh Suchak*, 20 Jan. (*RNPBom.*, 28 Jan. 1888); *Bangabasi* and *Sanjivani*, 28 Jan. (*RNPBeng.*, 4 Feb. 1888); *Punjabi Akhbar*, 4 Feb., *Subodh Sindhu*, 1 Feb., *Hindustan*, 1, 2, 3 Feb. (*RNPPN*, 7 Feb. 1888); Memorial adopted by a public Meeting at Poona, 18 March 1888, *JPSS*, Jan.-Apr. 1888 (Vol. X, Nos. 3-4), pp. 26-7; Wacha, *Rep. INC for* 1890, p. 37, and in C. L. Parekh, *op. cit.*, p. 342; P. Kennedy, *Rep. INC for* 1890, p. 36; *Bengalee*, 28 March 1891; *Paisa Akhbar*, 1 Apr. (*RNPP*, 18 Apr. 1891); *Akhbar-i-Am*, 16 Apr. (*ibid.*, 25 Apr. 1891); Ray, *Poverty*, pp. 264-5; A. D. Upadhya, *Rep. INC for* 1895, p. 151; Resol. XIII of the Congress for 1902. Some extracts are given below to show the temper of the popular agitation on this point: P. Kennedy bewailed at the Congress of 1890: 'In this great land of India there are millions of men and women and children this day, who have their lives shortened, their physique stunted, and with their physique, their moral and intellectual facilities, blunted, by lack of cheap salt' (*op. cit.*). At the Congress of 1895, A. D. Upadhya lamented: 'What enormous crime have we committed that all should be put to this unbearable punishment of going without enough salt from year's end to year's end?' (*op. cit.*). In its issue of 31 Jan. 1888, the *Kesari* of Tilak wrote that the Finance Member had 'either at the suggestion of His Lordship or somebody else hit upon the expedient of curtailing the supply of salt, killing by one shot two birds, viz., the realisation of revenue and the enfeeblement of the people who by their writings are now kicking up a vain row' (*RNPBom.*, 4 Feb. 1888).

206. Joshi, *op. cit.*, pp. 169-83.

207. *Ibid.*, p. 184.

consumption of the poorest strata of the population 'the slightest variation in the salt duty tells in a perceptible degree'. Any fall in the consumption of salt would not, therefore, be shared in by the entire population; it would be borne entirely by the poorer sections.[208] He resumed the argument in 1896 in his essay, 'The Salt Duty Question'. Here he pointed to the experience of the years since 1888, and asserted that his gloomy prophecies had proved to be too correct. Quoting statistics, he showed that the rate of growth of the consumption of salt had not remained the same after 1888 as it was before 1888. From 1882 to 1887 this rate had been on the average 3.8 per cent per year, from 1887-8 to 1894-5 it was 0.12 per cent. What was even worse, the consumption of salt had 'not even kept pace with the growth of population during the period'. Joshi calculated that the consumption of salt per head in India, which was 8.8 lbs. in 1880-81, had increased to 10.3 lbs. in 1886-7; but that by 1894-5 it had again fallen to 9.5 lbs. He estimated that the lower 80 millions of the population were compelled in 1894-5 to 'eat from two to three lbs. less salt per capita than they used to do 8 years ago'. And so, the conclusions he had arrived at drove him to exclaim:

> A fiscal system which renders it necessary to so bleed the starving poor—no matter how great the necessities of policy—is open to grave condemnation. No canon of finance, no principle of political economy, could ever sanction such a merciless application of the fiscal lancet; and no necessity, however imperative—and no financial emergency, however pressing,—could be pleaded in justification of such cynical indifference to the sufferings of the poor.

Then came the final judgment, born of despair and anger: 'But our financial administration knows no such weakness of common humanity and shows little sympathy with struggling poverty.'[209]

Another leader who played a prominent role in the anti-salt

208. *Ibid.*, pp. 187-8.
209. *Ibid.*, pp. 195-8.

tax agitation after 1888 was G. K. Gokhale. He followed, or rather repeated, in all essential respects, Joshi's reasoning as well as his statistics. His contribution in this respect was that he popularised Joshi's work.[210]

Another charge levelled against the salt tax by the nationalists was its tendency to injure agriculture by starving land and cattle of sufficient quantities of an essential commodity such as salt.[211] G. V. Joshi and G. K. Gokhale, in addition, condemned the salt tax for being a tax on an industry—the salt industry—and because it resulted in a system of monopoly which affected India's 'economic growth in an essential and vital particular'.[212] Moreover, they alleged that various factors emanating from the imposition of the salt tax, like the government monopoly of salt, equalisation of the salt tax in different provinces, and high rates of the tax had been responsible for restricting and destroying a flourishing local industry in large parts of the country, and particularly in Bengal, and for driving the indigenous producer out of the field.[213] G. V. Joshi went to the extent of making the accusation that 'the total decline of the industry in Bengal marks a *transfer* of it, by skilful fiscal manipulation, to foreign hands'.[214] He also expressed the apprehension that in Bombay too 'the fatal Bengal policy' was being pursued 'though in a disguised form, without the intermediate stage of monopoly'.[215]

VIII. ALTERNATIVE SOURCES OF TAXATION

Tacitly or otherwise, many of the Indian leaders recognised that the budgetary deficits, which had forced the government

210. Gokhale, *Rep. INC for 1890*, p. 40; *Rep. INC for 1895*, pp. 150-1; *Speeches*, pp. 13, 31, 39-41, 79.

211. *Hindu*, 3 Apr. 1885; Joshi, *op. cit.*, pp. 90, 824; *Indian Spectator*, 22 Jan. (*RNPBom.*, 28 Jan. 1888); *Indian Nation*, 23 Jan. (*VOI*, Feb. 1888); *Hindu*, 25 Jan. 1888; Wacha, *Rep. INC for 1890*, p. 37; Ray, *Poverty*, pp. 263-4; *Taj-ul-Akhbar*, 27 Dec. 1890 (*RNPP*, 10 Jan. 1891).

212. Joshi, *op. cit.*, p. 92.

213. *Ibid.*, pp. 93-9, 178-9; Gokhale, *Speeches*, pp. 79-80.

214. Joshi, *op. cit.*, p. 97.

215. *Ibid.*, p. 98. Such fears were expressed as early as 1877 by *Shubha Suchak*, 22 Jan. and *Rast Goftar*, 14 Jan. (*RNPBom.*, 20 Jan. 1877).

to maintain the salt tax at such a high rate, had somehow or other to be covered and that they were, therefore, obliged to suggest other ways and means, less objectionable than the salt tax, of raising the necessary additional revenue. This task, they believed, was not really a difficult one. The first alternative they recommended was the re-imposition of import duties.[216] Another alternative measure that some of them advocated was enhancement of the income tax[217] and its extension to classes that had hitherto been exempted from its purview.[218] A few of them pressed for a general imposition of taxes on the rich and on the products consumed by them; they did not, however, specify the forms such taxes might take.[219] Some of them also felt that the scope for the retrenchment of the existing civil and military expenditure should have been exhausted before the decision to raise the salt tax was taken in 1888.[220] Almost all the nationalist newspapers of Bombay Presidency, for example, suggested at the time that the financial deficit might have been better met by reducing the salaries of European government servants by about one-fourth.[221]

Joshi and Gokhale also pointed to the built-in fiscal mechanism within the framework of the salt tax itself that

216. Joshi, *op. cit.*, pp. 100, 142; *Swadesamitran*, 18 Jan. (RNP, Jan. 1886); nearly all papers cited in f.n. 168 above; Resol. III(i) of the INC for 1889; Naoroji in CPA, pp. 177-8.

217. Joshi, *op. cit.*, pp. 166, 190; *Mahratta*, 22 Jan. 1888; ABP, 26 Jan. 1888; almost all the newspapers of Bombay for the week ending 28 Jan. 1888, Reporter's summary, RNPBom., 28 Jan. 1888; in particular, *Indian Spectator*, 22 Jan. (RNPBom., 28 Jan. 1888); *Tribune*, 11 Feb. (VOI, March 1888); *Sanjivani*, 28 Jan. (RNPBeng., 4 Feb. 1888); *Swadesamitran*, 28 Jan., 25 Feb. (RNPM, 31 Jan., 29 Feb. 1888); *Amrita Bhodiny*, 2 Feb. (*ibid.*, 15 Feb. 1888); *Hindustan*, 1, 2, 3 Feb., *Subodh Sindhu*, 1 Feb. (RNPPN, 7 Feb. 1888).

218. Joshi, *op. cit.*, pp. 141-2, 161, 165-6, 190; *Kaiser-i-Hind*, 22 Jan. (RNP Bom., 28 Jan. 1888).

219. N. V. Barve, *Rep. INC for 1888*, p. 179; *Indu Prakash*, 30 Jan. (RNP Bom., 4 Feb. 1888); *Swadesamitran*, 18 Feb. (RNPM, 29 Feb. 1888); Gokhale, *Rep. INC for 1890*, pp. 39-40; *Sasilekha*, 27 Dec. (RNPM, 31 Dec. 1895).

220. Memorial adopted by a public meeting of the inhabitants of Poona, 18 March 1888, *JPSS*, Jan.-Apr. 1888 (Vol. X, Nos. 3-4), p. 17; Joshi, *op. cit.*, pp. 141, 189. Also see below Chapter XII.

221. Reporter's summary, RNPBom., 28 Jan. 1888; *Kesari*, 31 Jan. (RNP Bom., 4 Feb. 1888).

should have been relied upon to increase its yield in the long run. This mechanism was based on the well-known principle of taxation that a source of revenue like the salt tax might be made most fruitful if a low rate of tax was accompanied by unrestricted consumption. In 1896, G. V. Joshi calculated that if the consumption of salt had continued to expand after 1888 at the same rate at which it had increased before, it would have risen by nearly 10 million maunds by 1895-6 and the state would have derived at the old rate of tax of Rs. 2 per maund an increase of revenue to the extent of 2 crores of rupees—almost equal to the amount of additional revenue that had actually been obtained under the enhanced tax with its concomitant low consumption of salt.[222] This principle of taxation was commended for application to salt by Gokhale in his budget speech of 1902;[223] and, finally, clearly enunciated in his budget speech of 1903: 'The soundest and best policy in the matter—even financially—would, therefore, seem to be to raise an expanding revenue on an expanding consumption under a diminishing scale of duties.'[224]

The Indian leaders were angry at the government's refusal to adopt any of the alternative measures of taxation suggested by them and many of them accused the government of cowardice and partiality for bowing before the pressure of the British manufacturers, the British officials, and the influential richer strata of the Indian population, while bullying and burdening the 'helpless' and 'speechless' millions of the land. For instance, the *Kesari* of 24 January 1888 made the following sarcastic comment:

> If His Lordship had resorted to import duties on cotton piece-goods from Manchester, it would have created consternation among the manufacturers of Manchester. . . .Will the kind British Government prove faithless to those who render good assistance during the elections for Parliament? If the income tax be increased its burden will mostly fall upon

222. Joshi, *op. cit.*, p. 199.
223. Gokhale, *Speeches*, p. 39.
224. *Ibid.*, p. 79.

> the high European officers and traders, and the rates of exchange being already high, they will find it very crushing and will rise in rebellion.... Will a wise man like Lord Dufferin ever venture to have his fair reputation sullied by rousing such opposition? In short, Lord Dufferin was wise in rejecting both these alternatives and in having recourse to an increase in the salt duty, remembering that the disarmed and the loyal people of India will not, as long as they are alive, say 'no' to any demand and that they need not be very strong in body as Government has graciously undertaken to protect them.[225]

Similarly, the *Indian Spectator* of 22 January 1888 wrote:

> Or perhaps they (government) are afraid of 'public opinion'. For, it is certain that in the case of such an increase in the taxation of the rich classes, Government would have a bad time of it from 'representatives of the two hundred and fifty millions' whereas these two hundred millions and odd have no voice to protest against the enhancement of the duty on salt. Whatever may be said of their sense of justice, it cannot be denied that the Government of India are wise in their generation.[226]

The *Mahratta* of 22 January, the *Hindu* of 25 January, the *Amrita Bazar Patrika* of 26 January, the *Bengalee* of 28 January, and the *Sanjivani* of 4 February 1888[227] commented in a like vein. G. V. Joshi too passed a similar judgment on the motives lying behind the government's action in the matter.[228] The *Mahratta* of 18 March 1888 even claimed that the real question involved in the issue of the salt tax was whether India existed for Indians or for others.

IX. POLITICAL LESSONS

Many of the nationalist critics of the salt tax strongly censured the conduct of Peary Mohan Mookerjea and Dinshaw

225. *RNPBom.*, 28 Jan. 1888.
226. *RNPBom.*, 28 Jan. 1888.
227. *RNPBeng.*, 11 Feb. 1888.
228. Joshi, *op. cit.*, p. 139.

Petit, the two nominated members of the Legislative Council, in extending their support to the enhancement of the tax in 1888;[229] and cited it as a proof-positive of the nationalist contention that the existing Legislative Councils did not and could not reflect correctly Indian opinion or the interests of the masses of the country, and that these Councils had, therefore, to be reformed by introducing popular element in them.[230] This conclusion was effectively driven home by G. V. Joshi who remarked that the debate on the enhancement of the tax 'was discreditable to the Legislative Council;... that it was more discreditable to the native members...; and that, above all, it was most discreditable to the system....'[231] Simi-

229. For Mookerjea's and Petit's support to salt tax, see *LCP*, 1888, Vol. XXVII, pp. 24 and 31. Mookerjea declared: 'It is at the same time a measure which has given very general satisfaction as one which will not touch to any appreciable extent even the poorest in the land.' For criticism of their action, see the *Gujarati Gazette* of 9 Feb. 1888, which wrote: 'Hearts of adamant! What can you know how you suek the very blood out of the subject people' (*RNPBom.*, 11 Feb. 1888); the *Rajyabhakt* of 5 Feb. 1888, which termed P. M. Mookerjea as 'a puppet; which the magician Lord Dufferin causes to dance as he likes' and remarked that his self-interest was contemptible and was a proof of his being 'a traitor to his country' (*RNPBom.*, 11 Feb. 1888); *Dnyan Prakash*, 9 Feb., *Shri Shivaji*, 10 Feb., and many other papers of Bombay (*RNPBom.*, 11 Feb. 1888); *Vritta Dhara*, 9 Feb., *Subodh Sindhu*, 8 Feb. (*RNPPN*, 14 Feb. 1888); Joshi, *op. cit.*, pp. 143-4, 186-7; *Swadesamitran*, 18 Feb. (*RNPM*, 29 Feb. 1888); W. C. Bonnerjea in *Bengalee*, 25 Aug. 1888; Naoroji, quoted in Masani, *op. cit.*, p. 318; Wacha, *Rep. INC for 1890*, p. 38; Malaviya, *Speeches*, pp. 27-8, 30; S. N. Banerjea, *S and W*, p. 312. As late as 1897, the *Jami-ul-Ulum* of 28 May remembered the incident and poured out its anger in the following words: 'But the Indian title-hunters are really more to blame than His Lordship in the matter of salt tax. Deeeitfulness is, as it were, administered to them with the milk of their mothers. They are traitors to the country. There is a Raja in Bengal who strongly supported the salt tax. Such men are a disgrace to humanity and the country where they are born and deserve to be thrown into the sea. The country cannot prosper while such imposters breathe in it' (*RNPN*, 2 June 1897).

230. The Reporter of the Native Press for Bombay wrote in his weekly summary that the *Rast Goftar* and many other papers for the week 'take an opportunity to complain once more of the present faulty constitution of the Legislaive Councils and to point out the necessity for making them more representative' (*RNPBom.*, 11 Feb. 1888). Also *Mahratta*, 18 March 1888; *Swadesamitran*, 18 Feb. (*RNPM*, 29 Feb. 1888); *Hindustan*, 1, 2, 3 Feb. (*RNPN*, 7 Feb. 1888); S. N. Banerjea, *S and W*, pp. 311-2, *Speeches III*, pp. 137, 161; Wacha, *Rep. INC for 1890*, p. 38; Lala Murlidhar, *ibid.*, p. 42.

231. Joshi, *op. cit.*, p. 144.

larly, Madan Mohan Malaviya said at the Congress of 1890: 'We would much rather that there were no non-official members at all on the Councils than that there should be members who are not in the least in touch with the people and who being ignorant of their true conditions and requirements, betray a cruel want of sympathy with them.' Describing P. M. Mookerjea and Dinshaw Petit as 'these big honourable gentlemen, enjoying private incomes and drawing huge salaries', he asked rhetorically: 'Do you think, gentlemen, such members would be appointed to the Council if the people were allowed any voice in their selection?' Amidst shouts of 'no, no, never' from the audience, he again enquired: 'And even if they were, by some mistake, once appointed, would they not be scornfully rejected at the next election?'[232]

X. CONCLUSION

The above analysis of the nationalist attitude towards the salt tax clearly shows that the demand for reduction in, and abolition of, the tax was taken up by the Indian national leadership on a national scale and as a national policy. The demand was in fact utilised to question and assail the very foundations of the prevailing financial policy. Moreover, the interests of the poor of the land were, in this instance, correctly and volubly expressed by the nationalist leaders, who, in this way, made an attempt to carry the poor with the growing national movement. This was, in fact, explicitly understood by the Indian leaders to be so. Introducing the resolution demanding a reduction in the salt tax at the Sixth National Congress in 1890, Pringle Kennedy addressed the following exhortation to the delegates:

> Fellow delegates, will you show that they accuse you falsely who say, your case is all for yourself, that this movement is simply one for the substitution of Indian dark-skinned for European fair-skinned Brahmins, by saying: 'If in no other

232. Malaviya, *Speeches*, pp. 26-7 and 30-1.

way can this yoke be made less grievous, tax us, tax the rich, but let the poor go!'[233]

Similarly, G. S. Khaparde, a delegate to the Congress of 1892, described the resolution on the salt tax as a poor man's 'prayer to the Congress'.[234]

Conversely, the national leadership did not, in this instance, at all represent the interests of the rich of the land; otherwise, like the rich man's spokesmen, they too would have supported the salt tax and its enhancement in the belief that it would help ward off other taxes, for example, the income tax, on the rich.[235] The divergence between the nationalist stand and the interests of the rich can be seen clearly if the former is contrasted with the pro-tax attitude adopted and publicly expressed by the contemporary spokesmen of the zamindars, big merchants, and unofficial Englishmen. In 1882, Durga Charan Laha, the spokesman of Calcutta traders in the Imperial Legislative Council, opposed the 'questionable policy' of reducing the salt tax on 'sentimental grounds'. It would have been better, he suggested, if the government had instead removed direct taxes which were unsuited 'to the circumstances of the country'.[236] Maharaja Jotendra Mohan Tagore, who represented the Bengal zamindars in the Council, endorsed in full Laha's stand.[237] The enhancement of the salt tax in 1888 was, similarly, fully supported by Peary Mohan Mookerjea, another

233. *Rep. INC for 1890*, p. 36.

234. *Rep. INC for 1892*, p. 67. Also see Gokhale, *Speeches*, p. 79; and Joshi, *op. cit.*, p. 200.

235. Cf. John Strachey in *India* (1903), pp. 165-6: 'The vast majority of the people on whom the tax falls are probably unaware of the existence of the tax. The masses remain unmoved and silent, while the small and wealthier minority, who alone can make their voices heard, give loud approval to measures which impose no appreciable obligation upon themselves.' Strachey's appraisal of the position is quite correct except for the fact that the rising Indian national leadership, which could also make its voice heard, opposed the salt tax even more loudly, thus, obviously, giving tongue to the interests of the silent masses.

236. *LCP*, 1882, Vol. XXI, pp. 290-1. In 1889, he repeated his opposition to any reduction in the salt tax and once again pleaded for a relief in the income tax (*LCP*, 1889, Vol. XXVII, p. 141).

237. *LCP*, 1882, Vol. XXI, pp. 303-04.

representative of the Bengal zamindars, Dinshaw Petit, the spokesman of Bombay merchants, and various spokesmen of the British officials and businessmen in India.[238] Supporting the enhancement of the tax, the Report of the Committee of the Bengal National Chamber of Commerce for 1887 claimed that it was 'far less objectionable than the doubling of the present rate of the Income Tax would have been'.[239] And the Secretary of the Chamber and its President for 1889 opposed the demand for the reduction of the tax with no less vigour.[240]

XI. EXCISE REVENUE

Another indirect tax and an important source of revenue was the excise imposed as duty upon the manufacture and as fees for licences for the sale of intoxicating spirits, hemp drugs, and opium. The gross revenue obtained from this source increased from Rs. 1.18 crores in 1860-01 to Rs. 3.19 crores in 1880-01 and Rs. 6.64 crores in 1902-03.[241] Only that aspect of the revenue which was derived from spirits—and indigenous or country-spirits at that—and which constituted the major portion of the total excise revenue has been dealt with here.[242] The system of levying excise duty on country spirits varied from place to place and time to time. These systems can, however, be roughly grouped together under two broad categories: (i) the central distillery system under which a fixed duty was imposed on each gallon of spirit manufactured and issued for sale; and (ii) the outstill system under which duty was levied not on the quantity produced but in the gross by lump-sum payments on the basis of auctions. Obviously, there was much less governmental check over consumption of

238. *ICP*, 1888, Vol. XXVII, pp. 24 ff.

239. *Report of the Bengal National Chamber of Commerce*, 1887, pp. 23-4. Also see *Hindu Patriot*, 23 Jan. (*VOI*, Feb. 1888).

240. *Report of the Bengal National Chamber of Commerce*, 1889, pp. 3-4, 34-5.

241. *Imperial Gazetteer of India* (1908), Vol. IV, p. 276.

242. Rs. 4.86 crores out of the excise revenue of Rs. 6.64 crores was derived from spirits (*ibid.*).

liquor under the outstill system than under the central distillery system.[243] In the 1890's it was the declared policy of the Government of India to raise a maximum of revenue from a minimum of consumption of spirits, that is, to increase the rates of duty and to restrict the number of places for the sale of liquor to such an extent that its consumption was minimised while, at the same time, illicit manufacture of liquor was kept within bounds.[244] At least after 1890, it became the settled and proclaimed policy of the government to extend the central distillery system and to gradually abolish the outstill system.[245]

The Indian leadership attached a great deal of importance to the question of consumption of intoxicating liquors and their taxation. It was as a whole anti-liquor and opposed to the spread of the drinking habit in the country. It looked upon drinking as a deadly evil—'a terrible scourge'—which was morally corrupting and 'vicious', economically impoverishing, and physically weakening.[246] Some of the Indian leaders even believed that the spread of drinking would hamper the growth of industries by adversely affecting the efficiency of labour.[247]

But in condemning liquor-consumption, the Indian leaders once again 'struck the first blow at the government'. Putting

243. 'It is easy to see that the greatest danger of the Outstill system was that the price of liquor would be greatly reduced. The object of the monopolist is to make the largest possible profit. In many cases it happened that a maximum of profit could be secured by a large sale at low prices rather than by high prices with a smaller sale' (Vakil, *op. cit.*, p. 470).

244. P. Banerjea, *Indian Taxation*, pp. 482-5.

245. Vakil, *op. cit.*, p. 477.

246. For example, *Mahratta*, 18 Feb. 1883, 29 Sept. 1885; *Bengalee*, 9 Apr., 19 Nov. 1887; Memorandum from the Indian Association to the Government of Bengal, dated 15 Nov. 1887, reproduced in Bagal, *op. cit.*, Appendix D; S. N. Banerjea, *A Nation in Making*, pp. 93-7; for Dadabhai Naoroji's attitude see Masani, *op. cit.*, pp. 363, 365; Resol. VII of INC for 1888; Resol. XV of INC for 1900; P. Mehta, *Speeches*, p. 565; Malaviya, *Speeches*, p. 381; Murlidhar, *Rep. INC for 1890*, p. 32; G. C. Mitra, *Rep. INC for 1899*, pp. 77-9; Gokhale, *Speeches*, pp. 16, 84. For the earlier Indian criticism of the drinking habit, see *Petition of the British Indian Association*, 1852, reproduced in B. B. Majumdar, *op. cit.*, p. 486; and Keshab Chandra Sen, *Life and Works*, edited by P. S. Basu (Cal., 1940), pp. 209-10.

247. Resol. XV of INC for 1900; M. N. Choudhury, *Rep. INC for 1900*, p. 86.

the blame for the spread of the drinking habit squarely and primarily on the shoulders of the government and its excise policy, they censured the government for deliberately or unintentionally encouraging, or at least failing to actively discourage, drinking in order to maximise excise revenue.[248] Criticism of the official excise policy was particularly sharp and persistent in Bengal during the 1880's, because of the prevalence in the province of the outstill system, which was accused of cheapening the price of liquor.[249]

248. For public men and associations, see Memorandum from the Indian Association to the Government of Bengal, dated 15 Nov. 1887, *loc. cit.*; Resol. VII of INC for 1888 and Resol. XV of INC for 1900; Tilak's opinion cited in Ram Gopal, *op. cit.*, pp. 72-3, 217; Tilak, *Proceedings of the Council of Bombay*, 1895, Vol. XXX, pp. 91-2; P. Mehta, *Speeches*, pp. 564-5; S. N. Banerjea, *A Nation in Making*, p. 381; Malaviya, *Speeches*, p. 381; Gokhale, *Proceedings of the Council of Bombay*, 1901, Vol. XXXIV, p. 249, *Speeches*, pp. 16, 83-4; Wacha, *Rep. INC for 1888*, p. 140, and *Rep. INC for 1890*, p. 31; G. C. Mitra, *Rep. INC for 1899*, pp. 77-9. For newspapers, see *Samachar Chandrika*, 8 Apr. (*RNPBeng.*, 17 Apr. 1880); *Sulabh Samachar*, 30 Oct. (*ibid.*, 6 Nov. 1880); *Som Prakash*, 6 Dec. (*ibid.*, 11 Dec. 1880); *ABP*, 24 Nov. 1881, 22 Nov. 1883, and 2 Apr. 1885; *Mandarmanjari*, No. 4 (*RNPM*, Feb. 1882); *Som Prakash*, 3 Apr. (*RNPBeng.*, 8 Apr. 1882); *Som Prakash*, 30 Apr. (*ibid.*, 5 May 1883); *Bharat Mihir*, 1 May (*ibid.*, 12 May 1883); *Bangabasi*, 27 Oct. (*ibid.*, 3 Nov. 1883); *Sansodhini*, 7 Nov. (*ibid.*, 17 Nov. 1883); *Paridarshak*, 11 Nov. (*ibid.*, 24 Nov. 1883); *Mahratta*, 17 May and 29 Sept. 1885; the entire Bengali Press supported Indian Association's Memorandum of 15 Nov. 1887, see *RNPBeng.* for Nov. and Dec. 1887; *Sanjivani*, 7, 14 Apr. (*RNPBeng.*, 14 and 21 Apr. 1888); papers covered by *RNPBeng.* for 22 March 1890, 25 Apr. 1891; *Hindustan*, 17 and 18 July (*RNPN*, 24 July 1889); *Bharat Jivan*, 1 July (*ibid.*, 9 July 1895); *Swadesamitran*, 13 March (*RNPM*, 15 March 1889); *Indian People*, 26 May (*RNPUP*, 4 June 1904); *Swadesamitran*, 2 Dec. (*RNPM*, 3 Dec. 1904). The passion with which the nationalists held and sometimes expressed this feeling is brought out by the following extract from the address of Lala Murlidhar to the Indian National Congress of 1890: 'While the East has taught the West mathematics, astronomy, and other sciences, in exchange the West has given us liquor-damnation instead of salvation.... Even our Mohammadan rulers hated and held the liquor traffic accursed. It has been left for our Christian rulers to love it, stimulate it, pet it, and make money by millions of pounds out of it.... How, too, can men, who pretend to believe in God and a future state, thus set to work coldly, cruelly, systematically, to reduce the people committed to their charge by Him with all kinds of sin and misery?' (*Rep. INC for 1890*, pp. 32-3).

249. In addition to the references cited above in f.n. 248, see, for example, *RNPBeng.* for 17 Apr., 30 Oct., 27 Nov. 1880, 26 Feb., 12 March, 16, 23 July, 1 Oct., 26 Nov., 10, 17 Dec. 1881, 18, 25 Feb., 18 March, 15 July 1882, 27 Oct., 10, 17 Nov. 1883; *Indian Mirror*, 20 Nov., *Bengal Public Opinion*,

The Indian leaders also alleged that even when the government publicly and professedly claimed to adhere to a policy of discouraging drinking, in practice the effect was just the reverse.[250] The tendency on the part of the administration to lavish praise and promotion on officials under whose jurisdiction excise revenue increased and to pass censure on those who could produce no such results provided, in real life, an incentive to the officials to be zealous in increasing excise revenue, even if it meant an increase in the consumption of liquor.[251] It might be observed in this connection that the spokesmen of the government were no less vehement in rebutting the nationalist charge and in asserting that the increase in the excise revenue was in fact due mainly to higher rates of duty and stricter excise control.[252] Interestingly enough, an increase in liquor consumption was indirectly acknowledged by government officials in certain other contexts, but then it was merely offered as an indication of the increasing prosperity of the people.[253] Consistent with their entire approach to the question, the nationalists refuted this contention and maintained that, on the contrary, liquor brought ruin and destitution and misery

13 Dec. (*VOI*, Dec. 1883); *Bengalee*, 10 Nov. 1883, 9 Apr. and 19 Nov., 1887; *Sanjivani*, 30 Apr. (RNPBeng., 7 May 1887); Resolution of the First Provincial Conference of Bengal, quoted in *Bengalee*, 3 Nov. 1888.

250. P. Mehta remarked in 1898 that the excise department 'seems to follow the example of the preacher who said that though he was bound to teach good principles, he was by no means bound to practise them' (*Speeches*, p. 564). Also see Tilak, *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXX, p. 92.

251. *ABP*, 22 Nov. 1883; Wacha, *Rep. INC for 1888*, p. 140; *Dainik-o-Samachar-Chandrika*, 10 March, *Sahachar*, 12 March (RNPBeng., 22 March 1890); G.C. Mitra, *Rep. INC for 1899*, pp. 78-9. Also see Keshab Chandra Sen, *op. cit.*, p. 210.

252. *Financial Statement*, 1888-9, para 65, and the Despatch of Government of India No. 166 of 25 June 1887 quoted therein; *Financial Statement*, 1891-2, para 38. Writing in 1903, John Strachey asserted that 'Speaking, generally, there has been almost everywhere since 1880 a decrease in the number of liquor shops and in the consumption of liquors'. *India* (1903), p. 170.

253. *Financial Statement*, 1884-5, para 37; *Financial Statement*, 1889-90, para 22; *Financial Statement*, 1891-2, para 38; Edward Law, *LCP*, 1901, Vol. XL, p. 309; *Financial Statement*, 1902-03, para 91.

to its imbibers and their families.[254]

The nationalist leaders were convinced that education would be too slow a way of fighting the evil and that only administrative measures could put an immediate halt to the spread of drinking.[255] They therefore neglected popular agitation against drinking and concentrated their efforts on cajoling or browbeating the government to subordinate revenue considerations to the moral well-being of the people and, hence, to follow a policy of active discouragement of drinking.[256] Nearly all the administrative measures advocated by them were designed to make liquor more expensive or more difficult to obtain through a reduction in the number of distilleries and liquor shops. The measure which gained the widest favour with them was that of 'Local Option'. They demanded that in deciding the question of opening a new liquor shop or distillery at any place local public opinion expressed directly or through the local municipal bodies must be considered the decisive factor.[257] Another popular demand, though confined mostly to Bengal, was for the abolition of the outstill system.[258] When the outstills were abolished in the larger part of Bengal during 1889 and 1890,

254. G. C. Mitra, *Rep. INC for 1899*, p. 79; Tilak, quoted in Ram Gopal, *op. cit.*, p. 217; Gokhale, *Speeches*, p. 16; Malaviya, *Speeches*, p. 380.

255. In 1904, G. K. Gokhale said: 'Education would be an effective remedy, but its operation is bound to be slow. I think legislative effect should be given to the direction as to local option' (*Speeches*, p. 85).

256. INC Resolutions VII of 1888; IV of 1889; IV of 1890; VI(c) of 1891; V(c) of 1892; III(c) of 1893; XVI(c) of 1894; XXII(b) of 1895; XI(a) of 1896; IV(a) of 1897; XX(a) of 1898; XV of 1900; Ranade, *Administrative Reforms in Bombay Presidency*, cited in Kellock, *op. cit.*, p. 45; *Mahratta*, 18 Feb. 1883; *Hindu*, 15 July 1885; V. N. Mandlik, *Speeches*, p. 579; Wacha, *Rep. INC for 1888*, p. 140, and *Rep. INC for 1890*, p. 31; Tilak, cited in Pradhan and Bhagwat, *op. cit.*, p. 99; Gokhale, *Speeches*, pp. 83-5.

257. *ABP*, 24 Nov. 1881; *Native Opinion*, 26 Aug. (*VOI*, Sept. 1883, No. 9, Vol. I); *Liberal*, 18 Nov., *Bengal Public Opinion*, 13 Dec. (*ibid.*, Dec. 1883, No. 12, Vol. I); *Bangabasi*, 21 May, *Navavibhakar*, *Sadharani*, 23 May (*RNP-Beng.*, 28 May 1887); Memorandum of the Indian Association, dated 15 Nov. 1887, *loc. cit.*; *Bengalee*, 5 and 19 Nov. 1887; Resol. of the 1st Provincial Conference, quoted in *Bengalee*, 3 Nov. 1888; *ABP*, 21 Feb. 1889; Resolutions of INC from 1890 to 1900, cited in f.n. 256 above; Tilak as cited in Ram Gopal, *op. cit.*, pp. 72-3; *Hindu*, 27 Nov. 1890; Wacha, *Rep. INC for 1890*, p. 31; S. N. Banerjea in *CPA*, p. 290; Gokhale, *Speeches*, pp. 84-5.

258. See references given in f.n. 249 above.

the Indian National Congress itself welcomed the step.[259] The nationalists also favoured the enhancing of import and excise duties on liquor.[260] Some of them wanted the government to take purely administrative steps like the closing of liquor shops and the adoption of 'stringent measures. . . in granting licences to retail liquor shops'.[261] Surprisingly enough, prohibition was not one of the remedies that found advocacy on a significant scale in the nationalist ranks. Perhaps, it was thought to be outside the realm of the possible.[262]

The above analysis shows that the nationalist attitude towards excise revenue derived from liquor was purely nationalistic in motivation and content. Even though liquor excise was a fruitful source of revenue, which was, moreover, paid by the actual consumers of liquor only, thus obviating the need for imposing additional taxes on the general mass of population, the nationalist leaders looked upon it solely from the point of view of the general good as they saw it and did not hesitate to condemn it. This aspect of the nationalist policy can be viewed from another angle also. On the one hand, those among the Indian leaders who consumed liquor would be clear losers if

259. Resol. IV of INC for 1890.

260. Ranade's views as quoted in Kellock, *op. cit.*, p. 45; *Som Prakash*, 13 Feb. (*RNPBeng.*, 18 Feb. 1882); *Mahratta*, 18 Feb. 1883; *Samaya*, 26 Jan. (*RNPBeng.*, 31 Jan. 1885); *Bangabasi*, 30 Apr. (*ibid.*, 7 May 1887); Resol. IV of INC for 1890; Tilak, *Proceedings of the Council of the Governor of Bombay*, 1896, Vol. XXXIV, p. 117; Resolution XV of INC for 1900.

261. Resol. IX of INC for 1899. Also, *Samachar Chandrika*, 8 Apr. (*RNPBeng.*, 17 Apr. 1880); *Sulabh Samachar*, 30 Oct. (*ibid.*, 6 Nov. 1880); Mandlik, *Speeches*, p. 584; *Mahratta*, 18 Feb. 1883; *Samaya*, 26 Jan. (*RNPBeng.*, 31 Jan. 1885); Resol. IV of INC for 1890; Tilak, *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXXII, p. 92; Gokhale, *ibid.*, 1901, Vol. XXXIX, p. 249. In this connection Gokhale made the interesting point that 'unless facilities for obtaining drink are reduced, a high price in the case of such an article as liquor merely means so much more taken out of the pockets of the poor consumer'. He went to the extent of stating that if people were confirmed drinkers there was no justification for raising high the price of liquor.

262. During the period covered by the present study, this demand was put forward very half-heartedly in 1900 by the Indian National Congress when it entreated the government 'to pass measures like the Main liquor law of America'. But, then, it went on, in the same breath, to plead for local option and additional taxation on liquor (Resol. XV).

the nationalist plea for costlier liquor was adopted. On the other hand, the nationalist demand for reducing the supply of liquor, which would result in a fall in the excise revenue, was indirectly opposed to the interests of the non-consumers of liquor as tax-payers. It is thus obvious that in this instance we have another example of nationalistic altruism in matters of finance.

Two other aspects of the question under discussion may also be noted. Firstly, while the tendency towards utilisation of anti-liquor agitation as a powerful political weapon that the nationalist movement in India was to reveal later was not yet present, the consciousness was dawning in the ranks of the Indian leadership that anti-liquor agitation might be useful in training the people for political work. Speaking at the meeting of the Anglo-Indian Temperance Association, held on 17 April 1905, Dadabhai Naoroji observed:

> They had 300 branches of the Association in India, and this meant that people of all classes, creeds, and of every position from the top to the bottom, were learning the great lesson of associating together, becoming like brothers to each other, working for one great cause.... This association was starting not only the cause of breaking down drinking in India, *but the equally good cause of raising the people to a higher position of thought and of union which would be of the greatest use to them.*[263] (Emphasis added)

Secondly, the very tendency to blame the foreign government for the spread of the drinking-habit lent to the nationalist excise policy a nationalist undertone.

XII. OPIUM REVENUE

Opium was another important source of revenue for the

263. Quoted in Masani, *op. cit.*, p. 366. Inaugurating the Indian Brotherhood of Total Abstainers in 1891, Dadabhai had observed: 'Another promising feature about it is that Hindus and Mohammedans were able to meet together and to take concerted action upon the great question which affected all communities alike' (*ibid.*, pp. 365-6). Also see S. N. Banerjea, *A Nation in Making*, pp. 94, 97.

Government of India. Till 1884, it was the second, and after 1884 the third, most productive item in the budget. Its yield, however, fluctuated violently from year to year, thus lending a certain amount of instability to Indian finance. For example, the net opium revenue amounted to Rs. 8.45 crores in 1880-81, Rs. 5.70 in 1890-91, and Rs. 4.97 in 1900-01, while in 1897-8 it even went down to Rs. 2.70 crores.[264] The opium revenue was derived from export of Bengal opium which was produced under a system of state monopoly in Bihar and N.W. Provinces and Oudh under the jurisdiction of the Bengal government and from the levy of a heavy export duty in Bombay on Malwa opium. Most of the export opium was sent to China. A part of the Bengal opium was sold in India under the excise system and revenue from its sale was credited under excise. The excise revenue from opium increased steadily from Rs. 36 lakhs in 1870-71 to Rs. 103 lakhs in 1900-01.[265]

The opium trade with China was criticised throughout the 19th century by various sections of the press and public opinion of Britain on moral and humanitarian grounds. In 1888, an organised movement against the opium trade and its 'patronage and promotion' by the government came into existence in Britain with the founding of the Society for the Suppression of the Opium Trade.[266] As a result of this agitation, the House of Commons passed a resolution on 10 April 1891, affirming that the system of opium revenue in India was immoral and urging the Government of India to 'cease to grant licences for the cultivation of the poppy and sale of opium in British India, except to supply the legitimate demand for medicinal purposes'; and in 1893 a Royal Commission was appointed to investigate the question in its entirety. The Commission reported in 1895 and advised against any disturbance of the *status quo*.[267] All

264. *Imperial Gazetteer of India* (1908), Vol. IV, p. 275; and Vakil, *op. cit.*, p. 603.

265. *Imperial Gazetteer of India* (1908), Vol. IV, p. 275.

266. Vakil, *op. cit.*, p. 492.

267. *Imperial Gazetteer of India* (1908), pp. 245-6. As regards the harmful effects of the drug, the Commission opined that 'the temperate use of opium in India should be viewed in the same light as the temperate use of

these years, the Government of India strongly objected to the proposals for prohibiting or restricting the opium trade, mainly on the ground of financial and political inexpediency of such steps.[268]

The attitude of the Indian leaders towards the opium trade and the revenue arising from it makes an interesting study. Here was a situation in which they had to choose between national self-interest—which was their guiding factor in most other respects—and humanitarianism and philanthropy—on the basis of which they usually appealed to the British people and government to grant them economic and political concessions.

As regards the moral aspects of the opium revenue, most of the national leaders assumed a position that was at great variance with the official position, and nearer the position of the English critics of the revenue, since these leaders openly conceded that the opium trade and revenue were grossly immoral and deserving of severe condemnation. As early as 1870, Keshab Chandra Sen had asked for the abolition of 'that iniquitous opium traffic which kills thousands of the poor Chinese people'.[269] In 1880, Dadabhai Naoroji indignantly proclaimed: 'This opium trade is a sin on England's head, and a curse on India for her share in being the instrument.'[270] Writing in the same vein, the *Mahratta* of 7 August 1881 protested against the Indian people being made to carry on their head 'the curse

alcohol in England. Opium is harmful, harmless, or even beneficial, according to the measure and discretion with which it is used' (quoted in *ibid.*, p. 246).

268. E. Baring, *Financial Statement*, 1882, paras 146-73; David Barbour's evidence in 1893 before the Royal Commission on Opium, quoted in Vakil, *op. cit.*, p. 493. Also see Chesney, *op. cit.*, pp. 328-30; John Strachey, *India* (1903), p. 155.

269. Keshab Chandra Sen, *op. cit.*, p. 210.

270. Naoroji, *Poverty*, p. 215. Also see *ibid.*, p. 201; *Speeches*, pp. 142 and 192-3; and quoted in Masani, *op. cit.*, p. 316. So intense was Dadabhai's moral aversion to the opium trade that when he joined a mercantile firm in 1855 he laid down the condition that he should have nothing to do with opium; and later he actually refused to accept his share of the profits accruing from trade in opium and liquor (Naoroji, *Speeches*, p. 192; and Masani, *op. cit.*, p. 74).

of being the poisoners of 400 millions of human beings'.[271]

Dadabhai Naoroji and R. C. Dutt disagreed with the officials on the nature of the opium revenue also. While the official view was that the opium revenue was paid not by the Indian people but by the Chinese consumers,[272] Naoroji and Dutt averred that it was in fact a disguised tax on the people of India since, in the absence of state monopoly of opium, the government profits, known as opium revenue, would have accrued to the people of India.[273]

But on the main aspect of the opium question, viz., abandonment of the opium trade, differences of opinion arose within the ranks of the Indian leaders. While a large majority adopted an approach that very nearly coincided with that of the Government of India, a significant number favoured giving up of the opium trade on humanitarian grounds. Opposing the sacrifice of the opium revenue for mere sentimental reasons, the former argued that the opium revenue constituted such an important part of Indian finances that its cessation was bound to lead to the imposition of new taxes. They therefore strongly disapproved of the anti-opium agitation being carried on in England at the time.[274] Thus the *Amrita Bazar Patrika* observed in its

271. Also see, *Rast Goftar*, 12 June (*RNPBom.*, 18 June 1870); *Native Opinion* (*ibid.*, 24 Aug. 1872); *Bengalee*, 3 July 1886, 12 March 1882; *Brahmo Public Opinion*, 26 May 1881; *Hindu*, 5 Dec. 1884; *Mahratta*, 22 March 1885; *ABP*, 20 May 1886, 16 Feb. 1888; *Andhraprakasika*, No. 19 (*RNPM*, May 1886); *Banganivasi*, 17 Apr. (*RNPBeng.*, 25 Apr. 1891); *Sanjivani*, 26 Aug. (*ibid.*, 2 Sept. 1893).

272. *Report of Indian Famine Commission of 1880*, Part II, p. 89; P. Banerjea, *Indian Taxation*, p. 314; and authorities cited in f.n. 268 above.

273. Naoroji, *Speeches*, Appendix p. 41, and quoted by Masani, *op. cit.*, p. 316; Dutt, *EHII*, p. 155. On the other hand, G. V. Joshi acknowledged that opium receipts were contributed by the foreign consumers (*op. cit.*, p. 222).

274. *Bombay Samachar*, 29 June (*RNPBom.*, 3 July 1875); *Jame Jamsed*, 19 Feb. (*ibid.*, 22 Feb. 1879); *Bombay Samachar*, 3 May (*ibid.*, 8 May 1881); *Bombay Chronicle*, 8 May (*ibid.*, 14 May 1881); *Aryavarta*, 4 June, and *Shivaji*, 3 June (*ibid.*, 11 June 1881); *Bengalee*, 3 July 1880; *Navavibhakar*, 29 March (*RNPBeng.*, 3 Apr. 1880); *Native Opinion*, 19 June, 25 Dec. 1881; *Mahratta*, 16 Apr. 1882; *Subodh Patrika*, 22 Jan. (*RNPBom.*, 28 Jan. 1882); *Kesari*, 2 May (*ibid.*, 6 May 1882); *Native Opinion*, *Rast Goftar*, and *Bombay Chronicle* of 7 May (*ibid.*, 13 May 1882); *Sahachar*, 25 Jan. (*RNPBeng.*, 4 Feb. 1882); *Samaya*, 4 June (*ibid.*, 9 June 1882); *Sadharani*, 11 May, and *Nava-*

issue dated 9 July 1880: 'To abandon such a source of revenue and then make good the gap by ruinous taxes wrung from the life-blood of an already impoverished people would, according to our humble ideas of morality, be in the highest degree immoral.'[275] The hyper-moralistic organ of the militant Sadharana Brahmo Samaj, the *Brahmo Public Opinion*, warned in its issue of 15 July 1880 against the fiscal hazards of taking too moralistic an attitude towards the opium revenue.[276] Even the *Indian Spectator*, the most consistent and vehement advocate of social reforms in India, branded, on 12 March 1882, the anti-opium English agitators as 'a powerful class of well-meaning but ignorant fanatics'.[277] Another reformist newspaper, the *Hindu*, declared in its issue dated 3 July 1893 that it would

vibhakar, 12 May (*ibid.*, 17 May 1884); *Samachar Chandrika*, 16 May (*ibid.*, 24 May 1884); *Ananda Bzar Patrika*, 2 June (*ibid.*, 7 June 1884); *Mahratta*, 22 March 1885; *Gujarat Darpan*, 12 May (RNPBom., 18 May 1889); *Native Opinion*, 7 May (*ibid.*, 9 May 1891); *Poona Vaibhav*, 6 Sept. (*ibid.*, 12 Sept. 1891); *Dnyan Prakash*, 17 Nov. (*ibid.*, 19 Nov. 1892); *Aftab-i-Punjab*, 27 Apr., and *Taj-ul-Akhbar*, 25 Apr. (RNPP, 9 May 1891); *Akhbar-i-Am*, 18 Aug. (*ibid.*, 29 Aug. 1891); *Hindustan*, 8 May (RNPN, 15 May 1889); *Nyaya Sindhu*, 22 Apr. (*ibid.*, 30 Apr. 1891); *Subodh Sindhu*, 29 Apr. (*ibid.*, 7 May 1891); *Bengalee*, 18 Apr. 1891; *Sahachar*, 15 Apr. (RNPBeng., 25 Apr. 1891); *Dacca Prakash*, 26 Apr. and *Surabhi-o-Pataka*, 17 Apr. (*ibid.*, 2 May 1891); *Som Prakash*, 8 June (*ibid.*, 13 June 1891); *Hindu Janabhushany*, 18 May (RNPM, 31 May 1889); *Vrittanta Patrika*, 14 Dec., and the consensus of other Madras papers (*ibid.*, 15 Dec. 1893); *Taj-ul-Akhbar*, 5 Aug. (RNPP, 19 Aug. 1893); *Koh-i-Noor*, 9 Sept. (*ibid.*, 23 Sept. 1893); *Dost-i-Hind*, 13 Oct. (*ibid.*, 21 Oct. 1893); *Paisa Akhbar*, 8 Dec. (*ibid.*, 16 Dec. 1893); *Behar Herald*, 18 May (*ISVOI*, 9 June 1895); *Phoenix*, 8 May (RNPBom., 18 May 1895); *Indian Spectator*, 12 May 1895; *Karnataka Prakasika*, 30 Aug. (RNPM, 31 Aug. 1897).

275. Twitting the anti-opium English agitators and philanthropists, the *Patrika* sarcastically observed on 20 May 1886: 'They forget that a conquering and aggressive nation, like the English, need not be so very nervous about such petty acts as poisoning a nation.... At least there is no doubt that steel and lead are surer and speedier ways of destroying a nation than opium.' Moreover, it opined, to tax the Indian people to make up for the loss of opium revennes amounted to this, that 'to avert the act of poisoning, the Government will have to resort to robbery'. Also see *ABP*, 16 Feb. 1888, and 17 Apr. 1891.

276. In its issue of 26 May 1881, the *Brahmo Public Opinion* further asserted that even if the budget could be balanced without the opium revenue India was still too poor to do away with the latter.

277. RNPBom., 18 March 1882. The *Mahratta* of 22 March 1885 branded these agitators as 'this cotterie of extra-superfine moralists'.

agree to the abolition of the opium revenue only if the British tax-payers promised to make good the resulting loss to the Government of India.[278]

Many of the Indian leaders waxed sarcastic at what they described as the attempt of the anti-opium Englishmen to practise philanthropy at the cost of other people. They suggested that if the British people were genuine in their regard for the welfare of the Chinese people they should persuade their own government to make good the loss of the opium revenue to the Indian government.[279] Interestingly enough, the ranks of the anti-opium agitators in Britain, whose integrity was questioned in this fashion and who were branded as fanatics and fools, included such pro-Indian National Congress stalwarts as the Members of Parliament W. S. Caine and Samuel Smith.

This group of Indian leaders also advanced a few other interesting arguments in favour of their stand against the prohibition of the opium trade. Firstly, they contended that before starting to undertake a reform of the vices in China the authorities and reformers in England and India owed a duty to condemn and fight against the drink evil in India, which was no less pernicious than opium smoking.[280] Secondly, some of them averred that any action by India resulting in the giving up of its opium exports would prove to be infructuous since the gap would be readily filled by countries like Persia, Turkey and the United States or by the Chinese themselves by extend-

278. In its issue of 11 May 1895, the *Hindu* further opined: 'Opium may be a great evil, but national bankruptcy is a greater evil.'

279. *ABP*, 9 July 1880 and 20 May 1886; *Brahmo Public Opinion*, 15 July 1880; *Ananda Bazar Patrika*, 2 June (*RNPBeng.*, 7 June 1884); *Hindu*, 26 Jan. 1885, 9 Dec. 1890, 3 July 1893; *Bengalee*, 18 Apr. 1891.

280. Ranade, quoted in Kellock, *op. cit.*, p. 45; *ABP*, 9 July 1880, 16 Feb. 1888; *Brahmo Public Opinion*, 15 July 1880; *Native Opinion*, 19 June 1881; *Mahratta*, 17 July 1881, 23 Apr. 1882, 22 March 1885; 'The Indian Salt Tax', *JPSS*, Vol. IV, No. 1, July 1881, p. 61; *Kesari*, 2 May (*RNPBom.*, 6 May 1882); *Sadharani*, 11 May, and *Navavibhakar*, 12 May (*RNPBeng.*, 17 May 1884); *Samachar Chandrika*, 16 May (*ibid.*, 24 May 1884); *Sahachar*, 15 Apr. (*RNPBeng.*, 25 Apr. 1891); *Som Prakash*, 8 June (*ibid.*, 13 June 1891); *Sulabh Dainik*, 15 Dec. (*ibid.*, 23 Dec. 1893); *Rahbar-i-Hind*, 28 Sept. (*RNPP*, 14 Oct. 1893); *Akhbar-i-Am*, 31 Oct. (*ibid.*, 4 Nov. 1893); *Vrittanta Patrika*, 14 Dec. and other papers (*RNPM*, 15 Dec. 1893).

ing the cultivation and manufacture of opium in their country. Thus, the ends of philanthropy would still remain unsatisfied, and only the Indian people would have lost a source of income.[281] Curiously enough, the newspapers did not offer the argument that prohibition of the opium trade would adversely affect the Indian merchants engaged in it. On the contrary, in its issue dated 23 December 1893, the *Sanjivani*, an anti-opium paper, accused the merchants of supporting the opium trade because it yielded them large profits.[282] The absence of trade motive from, and the predominance of the revenue motive in, the armoury of arguments advanced by the nationalist opponents of the anti-opium agitation show that the interests of opium merchants did not perhaps play an important role in the formation of the opium policy of this group of the national leadership.

The second group of Indian leaders, which was in favour of prohibiting opium production and banning of the opium trade out of humanitarian considerations, proposed the bridging of the consequent revenue gap by retrenchment of expenditure. In this respect the position of many newspapers like the *Mahratta*, the *Hindu*, the *Som Prakash*, and the *Ananda Bazar Patrika* was ambivalent, depending on the personal proclivities of whosoever happened to be writing the editorials at a particular moment of time. The anti-opium nationalist sentiments were cogently and vigorously summed up by the *Ananda Bazar Patrika* of 20 July 1880 as follows:

> What code of ethics has taught the rulers the argument that, because China must, to satisfy her wants, necessarily import the drug from elsewhere, there is no harm in India supplying her with it? As well might a robber justify his acts by pleading necessity, and a murderer by remarking that the person whom he had murdered would have cer-

281. *Navavibhakar*, 29 March (*RNPBeng.*, 3 Apr. 1880); *Native Opinion*, 19 June 1881; *Mahratta*, 16 Apr. 1882 and 7 Dec. 1893; *Kesari*, 2 May (*RNPBom.*, 6 May 1882); *Samaya*, 4 June (*RNPBeng.*, 9 June 1882); *Sadharani*, 11 May (*ibid.*, 17 May 1884); *Hindustan*, 8 May (*RNPN*, 15 May 1889).
282. *RNPBeng.*, 30 Dec. 1893.

tainly died some day, though not by his hands. The British Government can reduce the public expenditure in India by half if only it wishes to do so; it can thereby easily discontinue the inequitable trade in opium.[283]

Dadabhai Naoroji, who was a consistent opponent of opium trade, even though he recognised that most of the other national leaders were not one with him on this question,[284] made an attempt to utilise the opium debate then going on in England to propagate the cause of Indian nationalism, thus proving once again that there was no public issue which he could not press into the service of the cause to which he had dedicated all his life and passion. Denying that opium trade benefited India in any manner, he claimed in 1880 that the profits of this trade in reality went to meet the drain to England. India received only 'the curse of the Chinese race'. As a matter of fact, the opium revenue merely disguised the serious economic malady and fiscal bankruptcy from which the country was suffering. If this 'cursed' opium trade had not existed, he argued, India would not have been able to meet England's claims and 'India's miseries would have much sooner come to the surface' and been redressed. The opium trade had,

283. *RNPBeng.*, 31 July 1880. The *Mahratta* of 7 Aug. 1881 observed: 'The cessation of opium trade with China will, indeed, cause a very wide gap to the Indian Revenue, but it is better to fill up that gap by economy or curtailment of expenditure in some other department than to bear on our head the curse of being the poisoners of 40 millions of human beings'. A little later, on 12 March 1882, the *Mahratta* opined that 'no Indian will grudge to see his money used in such a moral and beneficial measure' as the abandonment of the opium trade. Similarly, the *Sanjivani* of 26 Aug. 1893 declaimed: 'No Government can flourish which makes money by a sinful trade. All sinners are punished by the just God. It behoves the Government, therefore, to give up its sinful trade' (*RNPBeng.*, 2 Sept. 1893). Also see, *Som Prakash*, 19 July (*RNPBom.*, 24 July 1880); *Indian Spectator*, 7 Aug. (*RNPBom.*, 13 Aug. 1881); *Hindu*, 5 Dec. 1884, and 14 Apr. 1891; Naoroji, *Poverty*, p. 215, *Speeches*, p. 196, and cited in Masani, *op. cit.*, pp. 359, 362; *Hindustani*, 15 Apr. (*RNPN*, 21 Apr. 1891); *Indian Mirror*, 15 Apr. and *Advocate*, 17 Apr. (*JSVOI*, 3 May 1891); 'The Anti-opium Alliance Movement', *JPSS*, Vol. XIV, No. 2, Oct. 1891, pp. 6, 16; *Vrittanta Patrika*, 16 Apr. (*RNPM*, 30 Apr. 1891); *Rahbar-i-Hind*, 16 and 20 Apr. (*RNPP*, 25 Apr. 1891); *Banganivasi*, 17 Apr. and *Sanjivani*, 18 Apr. (*RNPBeng.*, 25 Apr. 1891); *Samaya*, 24 Apr. (*ibid.*, 2 May 1891).

284. Naoroji, *Speeches*, p. 194.

therefore, only 'prolonged the agonies of India'.[285] Repeating this argument word by word in an address to a conference called by the Society for the Suppression of the Opium Trade in London in 1886, Dadabhai urged the Society to see the problem of opium in the over-all context of the main problem of India, viz., that of poverty. If India was allowed to keep what it produced and to freely develop its material resources, he averred, it could yield a large enough revenue to easily enable the government 'to dispense with the curse of the opium revenue'.[286]

Thus, the attitude of the national leaders towards the opium revenue was the result of the interplay of two, and in this instance conflicting, tendencies—humanitarianism and national self-interest. While some of these leaders tried to reconcile these two opposing considerations and, when forced to make a choice, embraced humanitarianism, many others, including M. G. Ranade, B. G. Tilak, S. N. Banerjea, and the brothers Motilal and Sisir Kumar Ghose, let the fear of fresh taxation and considerations of national self-interest triumph over their moral hesitations. At the same time, it may be noted that the Indian leadership did not offer the same type of intense and bitter and widespread and united opposition to the British agitation for the surrender of the opium revenue as it did from 1877 to 1882 to the agitation for the surrender of the customs revenue, even though the dimensions of the financial loss involved would have been much larger in the case of the former.[287] This can perhaps only be explained by the fact that in the case of opium revenue the loss would have been only financial, not affecting any industrial interest, while

285. Naoroji, *Poverty*, p. 215.

286. Naoroji, *Speeches*, pp. 192-6.

287. The net customs revenue was Rs. 2.5 crores in 1875-6, Rs. 2.4 crores in 1877-8; in 1882-3 it was reduced to Rs. 1.1 crores, that is by Rs. 1.4 crores in five years of tariff reform; the lowest that it fell to between 1882 and 1893 was Rs. 0.8 crores in 1884-5. Thus the maximum loss of customs revenue in any one single year as a result of tariff reform was less than Rs. 2 crores. On the other hand, the net average annual opium revenue between 1875 and 1898 was Rs. 6.1 crores. See Vakil, *op. cit.*, pp. 596 and 603.

in the case of the cotton import duties the loss was financial as well as industrial. Obviously the Indian leadership was of the view that, while the mere financial loss might be borne under protest, if not with equanimity and even satisfaction of having stood true to principles, the industrial loss had to be fought tooth and nail since it involved the long term and *real* interests of the nation.

CHAPTER XII

Public Finance, II

The chief difference between the official and non-official views is in regard to the channel of expenditure.

—B. G. TILAK

No question presses on this country with such urgency as the question of the apalling growth of military expenditure.

—D. E. WACHA

I. EXPENDITURE

Besides examining the incidence of taxation and the mode of its assessment, the Indian national leaders also dealt at length with the manner of its application, for in their view the purposes for which taxes were imposed and the manner of their disbursement were no less important considerations than their total amount. They fully recognised that there was a big difference between tax-revenue which was expended for the benefit of the tax-payers and which might be said to have returned to the people in an indirect manner and tax-revenue which was spent unproductively and uselessly or wastefully. By applying this criterion, the Indian leaders came to the conclusion that the expenditure policy of the Government of India was unsatisfactory and even injurious to the interests of the people. Firstly, they took exception to the fact that a large part of Indian revenues was spent not inside but outside the country and was thus 'drained' out of it, and pointed out that in this respect India's case was very different from that of an independent country, like Britain, where also heavy taxation

might be imposed.[1] This aspect has been discussed at length in the chapter on 'The Drain'. Here it may only be pointed out that some Indian leaders laid more stress on the physical direction of the expenditure of public revenues than on the totality of their impost. Thus, in 1880, Dadabhai Naoroji maintained that 'the real question, the most important question of all questions, at present is, not how to get £60,000,000 or £100,000,000, for the matter of that, if that be necessary, but how to *return to the people* what is raised from them'.[2] In a letter, written in September 1887, he was even more explicit: 'It is not the incidence of taxation that is India's evil. It would still be of no consequence if as much Land Revenue as Akbar's were taken. The evil is the drain of a portion of the revenue out of the country'.[3] The *Amrita Bazar Patrika* also made a similar contention in its issue dated 22 February 1900:

> If the Indians are taxed highly and the money raised thereby is spent in the country, the people do not get exhausted. But if they are made to send out annually 25 crores worth of the produce of the soil to England for which they get back nothing in return, they become impoverished even if lightly taxed.[4]

Secondly, the nationalist leaders found the public expenditure to be extravagant and its nature and distribution unsuited to and unconnected with the true needs and condition of the people and the country's economy. They believed that it could be 'better and more profitably' applied. While most often this conclusion was only implied in their criticism of the expenditure of Indian revenues, sometimes, especially in the case of

1. See, for instance, Naoroji, *Poverty*, pp. 59, 222-4, and *Speeches*, pp. 131, 157, 220, 294, 316, 593, Appendix pp. 39-43, 50-1-, 181; Bholonath Chandra, *MM*, Vol. II (1873), p. 92; Malaviya, *Speeches*, p. 248; Ray, *Poverty*, pp. 251-2, 259-60, 278; Dutt, *EHI*, pp. xi-xiii, *EHII*, pp. xix, 613, *Speeches II*, pp. 21, 61-2; Gokhale, *Speeches*, p. 15; L. M. Ghose in *CPA*, p. 759.

2. Naoroji, *Poverty*, p. 200.

3. Quoted in Masani, *op. cit.*, p. 316. Also see Naoroji, *Poverty*, pp. 223-4, and *Speeches*, pp. 142, 316, Appendix pp. 18-20, 41, 50, 52.

4. Also see *ABP*, 18 June 1885, 24 Dec. 1896, 1 June 1900; *Indian Spectator*, 5 July 1885; Ray, *Poverty*, pp. 251-3; A. Nundy in *Indian Politics*, p. 126; Dutt, *Famines in India*, pp. 100-1, *EHI*, p. xii; Wacha in *CPA*, p. 605.

the economists among them, it was clearly grasped and articulated and made the basis of their analysis. Thus, in its issue dated 30 March 1882, the *Amrita Bazar Patrika* expressed the opinion that in any examination of the financial system of the country the real question to be asked was 'How much of the amount raised is spent on the country, and how much simply thrown away?' And the true remedy, in its view, was that 'taxes must be applied for the good of those from whom they are raised'. While conceding that the Indians had to pay 'for the maintenance of British rule in India', the *Patrika* protested against the use of Indian revenues to satisfy 'the claims of all parties—Cheshire, Manchester, London, Civil Service, the Military Service, the office seeker and the adventurer' or 'to aid England in her excursions of aggression and spoliation'. While acknowledging the utility of the construction of 'roads and bridges and dispensaries and schools and chowkies' all over the country, Pherozeshah Mehta asked in 1883 the more fundamental questions whether the expenditure of resources on these improvements had not been excessive and misdirected, 'whether the same resources could not have been better and more profitably employed, whether gross blunders might not have been avoided by a better knowledge of real wants?'[5] During his first budget speech in the Bombay Legislative Council in 1895, B. G. Tilak laid down the principle that the proper criterion for evaluating the budget should be 'how far the revenue has increased during the last 25 years and what portion of it has been devoted to the material development of the Province'.[6] In 1896, G. V. Joshi, after statistically analysing in his essay on 'The Present Financial Position' the growth of Indian expenditure since 1883-4, opined that if 'this enormous extra expenditure' had been 'properly applied to its legitimate purposes in promotion of internal progress and development', it might have resulted 'in a large increase in the happiness and contentment of the teeming millions of the

5. P. Mehta, *Speeches*, p. 152. Also see pp. 350, 451, 456-8.
6. *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXXIII, p. 90.

land'.[7] Dadabhai Naoroji made a very clear statement of this position in his letter, dated 21 March 1896, to the Welby Commission.[8]

It was, however, left to G. K. Gokhale to put the nationalist point of view in a clear-cut theoretical form and then to base on it almost his entire analysis of Indian finance before the Welby Commission and in his famous budget speeches. Arguing before the Welby Commission in 1897 that 'an increase of expenditure, taken by itself as a feature of national finance is not necessarily open to any serious objection', he laid down the principle of public finance that '*Everything depends in this matter on the nature of the purposes for which the increase has been incurred and the results produced by such outlay of public money*'. He acknowledged that national expenditure in nearly all the European countries had been increasing for the last many decades. But increases in their expenditure, he contended, differed 'in a most fundamental respect' from the increase in Indian expenditure. Whereas increased expenditure in other countries had brought 'increased strength and security to the nations, and increased enlightenment and prosperity to the people', India's continually growing expenditure had 'under autocratic management, defective constitutional control, and the inherent defects of alien domination, only helped to bring about a constantly increasing exploitation of our resources, has retarded our material progress, weakened our natural defences, and burdened us with undefined and indefinite financial liabilities'.[9] Another basic difference between the public expenditure of India and that of other countries was that while the latter was administered solely in the interests of the tax-payers, in the case of the former 'other interests are often deemed to be quite of equal importance, and sometimes, indeed, they are allowed to take precedence of the interests of the Indian people'. Thus, for example, the Indian revenues had

7. Joshi, *op. cit.*, p. 220. Also see pp. 199-200.
8. Naoroji, *Speeches*, p. 361. Also see, G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18567, 18917, 18963, 19048; *New India*, 18 Dec. 1902 .
9. (Emphasis added). Gokhale, *Speeches*, pp. 1168-9.

to meet 'the standing claims of the interests of British Supremacy'; they had to look after 'the interests of the extension of British dominion in the East' and the interests of the European Civil and Military Services in India. Moreover, 'the interests of British commerce and of British commercial and moneyed classes often prevail over the interests of the Indian taxpayers'.[10]

The Indian leadership also contrasted, as in the case of taxation and often as a parallel argument, India's public expenditure with its poverty and its low taxable capacity, and arrived at the conclusion that the former was beyond the capacity and resources of a poor country like India. Thus. Madan Mohan Malaviya declared in 1889 that in view of the poverty of India, the growth in its expenditure was 'not only unjustifiable, but positively sinful'. He agreed that an increase in public expenditure was not bad in itself. It would be most welcome 'if it followed upon an increase of wealth and prosperity among the people' as, for example, was the case in England. But the tragedy of India was that its public expenditure 'goes on increasing while the condition of the people is deteriorating day by day'.[11] Following the same line of reasoning, the Indian National Congress of 1894 asserted that no enquiry into the financial expenditure could bear fruit unless it included an enquiry 'into the ability of the Indian people to bear their existing financial burdens'.[11a] Pherozeshah Mehta also explained this point of view at length in his speech in the Imperial Legislative Council of 1895-6. He pointed out that the necessity of expenditure was after all a relative term, for 'however great the necessity for a particular item of expenditure, that necessity must be controlled by the ways and means for incurring it'. Emphasising that the tax burden was ultimately carried by the poor ryot, he pronounced his firm belief that 'if revenue can only be raised in this manner, the

10. *Ibid.*, pp. 1156-7. Also see p. 1159.
11. Malaviya, *Speeches*, p. 219. Also see pp. 276-81, 291.
11a. Resol. V. Also see Malaviya, *Speeches*, p. 279; Naoroji, *Speeches*, pp. 124-49.

expenditure for which this revenue is required to be raised, however academically reasonable or incontrovertible in itself, is beyond the capacity and resources of the country'.[12]

Believing, therefore, that the growth of public expenditure during the past many years was disproportionate, extremely harmful, and even one of the causes responsible for India's poverty, the Indian leadership supported, and agitated for, the retrenchment of public expenditure on an extensive scale and declared such retrenchment to be an essential remedy for India's financial and economic ills. The Indian National Congress at its very first session suggested that the projected increase in military expenditure ought to be met by retrenchment of other public expenditure.[13] Retrenchment was once again proffered as a remedy for financial difficulties by the Congress at its third session in 1887.[14] In 1891, the Congress declared that the extravagant cost of military and civil administration was one of the important causes of the poverty of India and that one of the remedies of this poverty was the curtailment of public expenditure.[15] This correlation between public expenditure, poverty and famine, and retrenchment was repeatedly stressed by the Congress in 1892, 1896, 1897, 1899, 1901, and 1904.[16] In 1894, 1895, and 1897, it again recorded 'its firm conviction' that reduction of expenditure was the only remedy for the embarrassed condition of the finances

12. P. Mehta, *Speeches*, pp. 447-52. Even earlier, in 1883, in its issue dated 24 June, the *Indian Spectator* had advised the government not to try to balance its budget by first determining its necessary expenditure and then going out to find means of financing it. The only way to do so was to 'first overhaul the revenue side of the account' and determine what amount of taxation could be derived without hardship from a poor people and then to adjust expenditure accordingly (*RNPBom.*, 30 June 1883). Other Indian leaders who specifically desired a correlation to be established between expenditure and resources of the country were S. N. Banerjea, *Speeches III*, p. 13; Gokhale, *Speeches*, p. 1169; Wacha, *Speeches*, Appendix p. 32; N. G. Chandavarkar in *CPA*, pp. 528-9. Also R. D. Nagarkar, *Rep. INC for 1894*, pp. 78-9; Joshi, *op. cit.*, pp. 207-08.

13. Resol. VI.

14. Resol. VI.

15. Resol. III.

16. Resols. IX, XII, IX, XIII, VIII and III respectively.

of the country.[17] Similar and equally powerful pleas for a curtailment of expenditure were made by the National Conference that met in Calcutta in 1885[18], the Poona Sarvajanik Sabha, the Bombay Presidency Association,[19] and the Madras Mahajan Sabha[19a] in long memoranda submitted in 1886, G. V. Joshi in the article 'A Note on Retrenchment' published in 1886-87,[20] G. K. Gokhale and D. E. Wacha in their evidence before the Welby Commission,[21] and by R. C. Dutt in 1898.[22]

It may be of some interest to note here that, surprisingly enough, Dadabhai Naoroji did not pay much attention to retrenchment. This was, it may be suggested, because of the fact that he placed sole emphasis on production of wealth as a means of removing India's poverty. He believed that India could meet any amount of necessary expenditure provided national production was increased.[23] He therefore laid emphasis on the need to stop the drain of wealth and not on the need to reduce high expenditure. Even the large-scale employment of Europeans was criticised by him more on the ground of the consequent drain than on the ground of the costliness of administration.

Thus, being vehement critics of the existing high level of

17. Resols. XIV, III, and III(ii) respectively.

18. *Bengalee*, 2 Jan. 1886. Also see Bagal, *op. cit.*, p. 86.

19. *JPSS*, Oct. 1886 and Jan. 1887 (Vol. IX, Nos. 2 and 3), and the *First Annual Report of the Bombay Presidency Association*, 1885-6, respectively. The Poona Sarvajanik Sabha reiterated the plea most forcefully in another memorial submitted on 6 March 1894. *JPSS*, Apr. 1894 (Vol. XVI, No. 4).

19a. *Report of the Finance Committee*, 1886, Vol. II, p. 452.

20. Joshi, *op. cit.*, pp. 1-82. Also pp. 140-1, 189-90, 201, 222, 824-6.

21. Gokhale, *Speeches*, pp. 1169 ff.; Wacha, *Speeches*, Appendix pp. 9 ff. and 31-2.

22. Dutt, *Speeches I*, pp. 26, 36-7, *England and India*, pp. ix, 136, 141-2, 144-5, *Famines in India*, pp. xiv, xvi, xvii, EHII, p. 612. Also see, S. N. Banerjea, *Speeches III*, p. 13; J. U. Yajnik, S. A. Swaminath Iyer, V. S. Pantulu Guru, *Rep. INC for 1885*, pp. 65-72; P. Mehta, *Speeches*, pp. 443-59; Malaviya, *Speeches*, pp. 219-21, 248-52, 276-81, 285-302; P. A. Charlu, *LCP*, 1896, Vol. XXXV, p. 286; R. M. Sayani in *CPA*, pp. 309, 351-2; N. G. Chandavarkar in *CPA*, p. 527. Indian newspapers wrote against the growing public expenditure and in favour of retrenchment at every available opportunity, especially whenever a new tax was being imposed.

23. Naoroji, *Speeches*, pp. 147, 361, Appendix pp. 16-8, 25, 48. Also see *Poverty*, p. 200.

public expenditure and full-throated advocates of retrenchment in it, the national leaders set out to examine the actual course of the growth of public expenditure and to suggest concrete means of limiting it. In this respect they were convinced that the high rate of public expenditure was due to preventible causes and that it could therefore be remedied.[24]

Another fact to be noted about their approach to expenditure is that they showed little concern with its details, their interest being in the main confined to the basic policies governing it. Thus, for example, the Indian National Congress represented in 1895 that the enquiry by the Expenditure Commission would prove useless 'unless the lines of policy which regulate expenditure are enquired into'.[25] Similarly, Dadabhai Naoroji told the Welby Commission that he was not interested in examining the details of departmental expenditure because, in the absence of the whole administration of expenditure being 'put on a natural basis', such examination would be nothing more than so much 'palliating with symptoms'. What was needed, he said, was a discussion of the principles upon which the entire expenditure was conducted.[26] He also

24. See, for example, the statement made by G. V. Joshi in 1886-7 that the leading causes of the existing expenditure of the Government of India 'are either preventible, like errors of policy, or are losing their operative force, such as difficulties of supervision' (*op. cit.*, p. 10). It is interesting to contrast the nationalist attitude in this respect with the official attitude. See, for instance, John Straehey's statement that 'it is true that irresponsible persons find it easy to declaim as to the possibility of enforcing large economies, but I fearlessly challenge any one having a sufficient knowledge of the real requirements of the administration to indicate any branch of the Civil Services of which it would be not far easier to give substantial proofs that more money is required for it than the converse' (*Financial Statement*, 1878). E. Baring expressed the opinion in his *Financial Statement* of 1883-4 that all the dangers that threatened Indian finance, including the danger of war, were 'governed by eauses over which the Government of India can exercise little or no control' (para 121). Similarly, Elgin declared in 1894 that the financial embarrassments of the Indian Government did not arise 'from causes under our control' (*Speeches*, p. 50).

25. Resol. II.

26. Naoroji, *Speeches*, Appendix pp. 6, 22-3. Also, *ibid.*, pp. 361, 379, Appendix pp. 26-30; G. S. Iyer, *Rep. INC for 1894*, p. 76; B. N. Sen, *Rep. INC for 1895*, p. 61. Making the same point, J. Mudaliar said that Indians had full faith in the British capacity to prepare proper accounts! (*ibid.*, p. 62).

felt that non-officials in India could not criticise details or go minutely into precise figures of expenditure because of paucity of information. In fact, he remarked, they did not even know which questions to ask regarding the details of expenditure. They could therefore only criticise the broad lines of policy.[27]

II. MILITARY EXPENDITURE

By far the largest head of expenditure in the Indian budget during the years 1880-1905 was that of military expenditure. In 1881-2, the total net ordinary expenditure on the army and military works amounted to Rs. 17.88 crores or nearly 41.9% of the total net expenditure of the Government of India. From 1885 onwards it started going up mainly due to the Burma War, the fear of Russian advance in the north-west, the various measures for improvement and modernisation of the army undertaken from time to time, and the loss of exchange on payments made in England under this head. The steep increase in military expenditure during the period under study may be gauged from the fact that in 1886-7 it amounted to Rs. 19.41 crores or nearly 42.4 per cent of the total net expenditure, in 1891-2 to Rs. 22.57 crores or nearly 45.4 per cent, in 1901-02 to Rs. 23.55 crores or nearly 45.2 per cent, and in 1904-05 to Rs. 30.22 crores or nearly 51.9 per cent of the total net expenditure.[28] In addition, India paid a subsidy varying from £70,000 in 1869 to £100,000 in 1900 to the Royal Navy for undertaking the general naval defence of the country and also maintained local Royal Indian Marine at the same time.[28a] Moreover, extraordinary expenditure had to be incurred in case of wars, special campaigns and special defence

27. *Ibid.*, Appendix pp. 22, 28. Also Wacha, *Welby Commission*, Vol. III, Q. 17316.

28. *Imperial Gazetteer of India (1908)*, Vol. IV, p. 202. I have calculated the percentages from the table given in the Gazetteer. Other sets of figures are given in C. N. Vakil's *Financial Development of Modern India*, pp. 547-8, K. T. Shah's *Sixty Years of Indian Finance*, pp. 72-3, and P. J. Thomas's *The Growth of Federal Finance in India*, p. 502.

28a. *Imperial Gazetteer of India* (1908), Vol. IV, pp. 382-3.

works. Between the years 1876-7 and 1902-03 Rs. 22.2 crores were spent on military operations and Rs. 4.5 on special defences.[29]

The Indian leaders launched a powerful attack upon military expenditure and carried on a regular, intense and unanimous campaign around this issue; in fact, military expenditure was one of the most popular targets of nationalist agitation throughout the period under study. Though military expenditure in all its aspects—its amount, as well as the purpose and the manner in which it was utilised—was condemned by them, yet they concentrated their attention mainly on the financial aspect of the question; for instance, the problems of military organisation and efficiency and of military policy were more or less ignored by them except in so far as they had financial implications. The one exception to this tendency was the desire to Indianise the army.

In brief, the Indian leadership declared the heavy and ever-growing military expenditure to be the chief cause of India's financial disequilibrium and the *raison d'être* of high taxation, and maintained that no improvement in finances was possible as long as unnecessary military expenditure went on climbing up or remained as high as it was. From its very first session the Indian National Congress protested against the increase of military expenditure.[30] In 1889, it laid stress on 'the necessity for the reduction of, instead of the continual increase to, the military expenditure of the country'.[31] In 1891, it put forward the view that the extreme poverty of the country was due to 'the extravagant cost of the present administration, military and civil, but especially the former'.[32] In the ensuing years, it

29. *Ibid.*, p. 187.

30. Resol. V of INC for 1885. One of the speakers, V. S. Pantulu Guru, declared melodramatically that if military expenditure was increased out of fear of Russia taxation would go up with the result that 'the country will be impoverished; cultivators will abandon their lands and Government will follow their example and relinquish India.... This will be worse than an invasion by Russia; therefore the remedy is worse than the disease' (*Rep. INC for 1885*, p. 73).

31. Resol. III(f). Also Resol. II(f) of 1890.

32. Resol. III.

repeatedly demanded containment of and reduction in military expenditure. Other public bodies of nationalists also took up the question from time to time. In 1885, the British India Association and the Indian Association of Calcutta, the Bombay Presidency Association, the Poona Sarvajanik Sabha, the Mahajan Sabha of Madras, the Sindh Sabha of Karachi and the Praja-hita-Vardhak Sabha of Surat jointly published and distributed a series of leaflets in England under the general heading 'India's Appeal to the English Electors'.[33] Leaflet Number 9, entitled *21% Growth of Indian Military Expenditure in 20 Years*, represented that military expenditure, which had gone up from £11,463,000 in 1857 to £16,975,750 in 1884 could be safely reduced to £14 millions.[34]

Many of the prominent nationalist publicmen dealt with military expenditure at length and with pungency. D. E. Wacha was undoubtedly the chief nationalist spokesman on the question. His writings and speeches on the subject would, if collected at one place, form a tidy volume. As early as 1885, he reviewed, while addressing the first Indian National Congress, the growth of military expenditure since 1871 and denounced it for 'its apalling enormity'.[35] Making another long examination at the Congress session of 1891, he asserted that 'no question presses on this country with such urgency as this question of the apalling growth of military expenditure' which was 'eating away the vitals of the people'.[36] He put forward this point of view again and again in the ensuing years.[37]

33. Hereafter referred to as *Indian Leaflets*.

34. Also see Memorial of the Bombay Presidency Association to the Secretary of State on increased military expenditure, dated 26 Jan. 1886, *First Annual Report of the Bombay Presidency Association*, 1885-6, pp. 209-16; Representation of the Poona Sarvajanik Sabha, dated 30 Sept. 1886, *JPSS*, Oct. 1886 and Jan. 1887 (Vol. IX, Nos. 2 and 3), pp. 1-3; and *Proceedings of the Public Meeting Held at the Framji Cowasji Institute under the Auspices of the Bombay Presidency Association on Saturday, the 15th July 1893. For the Purpose of Adopting Petitions to the House of Commons on Simultaneous Examinations for the Indian Civil Service and Home Military Charges.*

35. *Rep. INC* for 1885, p. 60.

36. *Ibid.* for 1891, p. 25.

37. *Ibid.* for 1892, p. 84; *ibid.* for 1894, pp. 132-3; *ibid.* for 1895, pp. 71-3;

G. V. Joshi first examined the 'disastrous influence' of the expanding military expenditure on the finances of the country in his essays on 'A Note on Retrenchment' and 'The Native Indian Army', published in 1886.[38] He reiterated the charge, on the basis of detailed statistics, in his paper on 'The Present Financial Position', published in 1896.[39] G. K. Gokhale was another national leader who, throughout his life, 'kept up a campaign against excessive military expenditure'.[40] Many other nationalist publicmen spoke and wrote against military expenditure with equal fire and fury.[41] Similarly, the nationalist newspapers kept up a continuous uproar against military expenditure and pressed for its reduction.[42]

ibid. for 1897, p. 29; *Speeches*, pp. 396-7 and Appendix pp. 9-11, 16, 31-2, 41-3; in *CPA*, pp. 617, 619.

38. Joshi, *op. cit.*, pp. 7-8, 252-3.

39. *Ibid.*, pp. 216-20. Also see p. 141.

40. Gokhale, *Speeches*, pp. 26, 43-4, 88-90, 105, Appendix pp. 1179-87.

41. For instance, from his seat in the Imperial Legislative Council, the mild-mannered R. M. Sayani proclaimed in 1898: 'Indeed this outgrown, unnecessary and illegitimate military expenditure is one of the principal causes, if not the principal cause, of our financial embarrassments which tend to the ruin of this country' (*LCP*, 1898, Vol. XXXVII, p. 527). R. C. Dutt asserted in 1900 that 'famines in India are greatly due to that policy of saddling India with cost of vast armaments and wars which she should not bear, and which she cannot bear' (*Famines in India*, p. xix). V. Krishnaswamy Iyer exhorted fellow-delegates to the Indian National Congress of 1903 to stop relying on mere resolutions. 'The remedy is', he declared, 'to rouse the indignation of the people by leaflets and pamphlets, by going to every cottage and telling the people the inequity of the impost' (*Rep. INC for 1903*, p. 121). Also see S. N. Banerjea, *Speeches II*, p. 73, *Speeches III*, p. 143, *S and W*, Appendix p. 26, in *CPA*, pp. 243-6, 706-08; Ray, *Poverty*, pp. 281-3, 298; P. Mehta, *Speeches*, pp. 334, 349-55, 458; Malaviya, *Speeches*, pp. 220, 281; Nundy in *Indian Politics*, pp. 128, 130; P. A. Charlu, *LCP*, 1902, Vol. XLI, pp. 113-5; Sri Ram, *ibid.*, p. 148, and *ibid.*, 1903, Vol. XLII, p. 105; Naoroji, cited in Masani, *op. cit.*, p. 454; Dutt, *EHII*, p. xvii, *England and India*, p. 166.

42. See, as examples, *Dnyan Prakash*, 20 Jan. (*RNPBom.*, 1 Feb. 1879); *Shivaji*, 31 Jan. (*ibid.*, 8 Feb. 1879); *Indian Spectator*, 15 Aug. (*ibid.*, 21 Aug. 1880); *Hindu*, 30 Aug. (*VOI*, Sept. 1883); *Som Prakash*, 31 Aug. (*RNPBeng.*, 5 Sept. 1885); *Sanjivani*, 20 Feb. (*ibid.*, 27 Feb. 1886); *Mahratta*, 29 March 1891, 13 Apr. 1902; *Hindustan*, 7 Oct. (*RNPN*, 8 Oct. 1891); *Hindustani*, 20 Apr. (*ibid.*, 28 Apr. 1892); *Indu Prakash*, 27 March, *Bombay Samachar*, 1 Apr., and *Kaiser-e-Hind*, 26 March (*RNPBom.*, 1 Apr. 1893); *Bangabasi*, 8 Apr. (*RNPBeng.*, 15 Apr. 1893); *Pratikar*, 21 Apr. (*ibid.*, 29 Apr. 1893); *Paisa Akhbar*, 26 Jan. (*RNPP*, 9 Feb. 1895); *ABP*, 3 Apr. 1895, 27 Apr. 1902; *Indu Prakash*, 25 March (*RNPBom.*, 30 March 1895); *Oudh Times*, 5 Apr.

The Indian leadership based its criticism of military expenditure not only on the ground of its size but also on the ground of its disproportionateness considering the paucity of Indian resources. They laid stress on the postulate that the defence and military needs of a country could not be the only criterion for determining the proper size of its military expenditure, and that its capacity to bear the consequent burden had also to be given due weight.[43] They therefore argued that India could not afford to spend as much on its armed forces as it was doing.[44] Many of them represented that there was no stronger stricture on military expenditure than the fact that poor though India was it was spending a larger portion of its annual revenue on its army than did most other more advanced, richer, and militaristic nations of the world, including Britain and Czarist Russia.[45] They also cited the fact of the military expenditure

(RNPN, 13 Apr. 1901); *Bharat Jivan*, 17 Feb. (*ibid.*, 22 Feb. 1902); *Tribune*, 16 Jan. (*RNPP*, 25 Jan. 1902); *Mahratta*, 13 Apr. 1902; *Kesari*, 15 Apr. (*RNP Bom.*, 19 Apr. 1902); *Kesari*, 21 July (*ibid.*, 25 July 1903); *Hitavadi*, 3 Apr. (*RNPBeng.*, 11 Apr. 1903); *Gujarati*, 17 Apr. (*RNPBom.*, 23 Apr. 1904); *Indian Advocate*, 18 Aug. (*RNPUP*, 27 Aug. 1904); *Swadesamitran*, 9 May and *Prapanchataraki*, 13 May, *Dravadavarthamani*, 11 May (*RNPM*, 13 May 1905); *Indu Prakash*, 23 March, *Kaiser-e-Hind*, 26 March, *Gujarati*, 26 March (*RNPBom.*, 25 March 1905); *Indian Social Reformer*, 26 March, *Oriental Review*, 29 March, *Kal*, 31 March (*ibid.*, 1 Apr. 1905).

43. While this postulate was implicit in the approach of most of the Indian leaders, G. K. Gokhale gave it open tongue: 'Military efficiency must, therefore, as Lord Salisbury once pointed out, be always relative, i.e., determined in the case of each country by a combined consideration of its needs of defence and the resources that it can fairly devote for the purpose' (*Speeches*, p. 45).

44. *ABP*, 13 Aug., 15 Oct. 1885; *Hindu*, 20 Aug., 24 Sept., 8 Oct. 1885; *Mahratta*, 11 Oct. 1885; *Indian Spectator*, 27 Sept., 4 Oct., *Indu Prakash*, 28 Sept. and 12 Oct., *Subodh Patrika*, 23 Sept., *Indian Mirror*, 4, 6, 10 Oct., *Indian Nation*, 5 Oct., *Native Opinion*, 11, 18 Oct., *Swadesamitran*, 28 Sept., *Sanjivani*, 3 Oct., *Hindustan*, 11 Oct., *Gujarati*, 29 Sept., *Kaiser-i-Hind*, 11 Oct. (*VOI*, Oct. 1885); *Advocate*, 23 Oct., *Sindh Times*, 24 Oct., *Tribune*, 31 Oct., *Behar Herald*, 3 Nov. (*ibid.*, Nov. 1885); *Samachar Chandrika*, 4 Jan. (*RNPBeng.*, 9 Jan. 1886); *Hindu*, 13 Feb. 1890; S. N. Banerjea, *Speeches III*, p. 143, *S and W.*, Appendix p. 26; *ABP*, 5 Apr. 1895; P. Mehta, *Speeches*, p. 452; Ray, *Poverty*, p. 304; Dutt, *England and India*, p. 136; *Oudh Times*, 5 Apr. (*RNPN*, 13 Apr. 1901); Wacha, *Speeches*, p. 397; V. K. Iyer, *Rep. INC for 1903*, p. 121; Gokhale, *Speeches*, pp. 45, 104; Resol. XII of INC for 1904.

45. *ABP*, 13 Aug. 1885; Ray, *Poverty*, pp. 286-7; Gokhale, *Speeches*, pp. 44, 1180; *Hitavadi*, 3 Apr. (*RNPBeng.*, 11 Apr. 1902). In 1886, G. V. Joshi cited

absorbing the whole of the net land revenue of India as another proof of India's incapacity to afford the costly defence machine that was its armed forces.[46] 'The ryot is bled', remarked D. E. Wacha at the seventh session of the Indian National Congress, 'in order that the military tax-eater may thrive and gain stars and medals.'[47]

According to the Indian leaders, the direct, and perhaps the worst, consequence of military expenditure being beyond India's economic capacity was that while the government spent too much on the army it starved nation-building departments, thus retarding healthy domestic progress and economic development. This point of view was often put forth forcefully. For example, D. E. Wacha wistfully exclaimed in 1891: 'How contented, how prosperous, how progressive India might have been today had she been saved this huge extraordinary extra expenditure of 54 crores in five years.'[48] Ten years later he asserted that military expenditure was 'the principal obstacle in the way of all other domestic reforms of vital importance to the welfare of the masses'.[49] Similarly, Tilak's *Kesari* opined, in its issue dated 15 April 1902: 'The growing military expenditure of India is the real cause of the indifference of government to the welfare of the people in matters of internal administration.'[50] After bemoaning the fact that nearly Rs. 80 crores out of the additional revenue of Rs. 120 crores that the government had collected from the people between 1885 to 1898 were 'swallowed

figures to show that even in absolute terms, India spent more on its armed forces than any other country in the world except France (*op. cit.*, p. 253). 'India's Appeal to the English Electors', 1885, presented the Indian case in another form when it stated that while in England military expenditure formed 2.16% of the national income, in India the ratio was 4.25% (Indian Leaflets—No. 11, *op. cit.*).

46. Indian Leaflets—No. 9, *op. cit.* Wacha, *Rep. INC for 1885*, p. 60, and in *CPA*, p. 619; P. Mehta, *Speeches*, p. 449; Gokhale, *Speeches*, pp. 44, 105; *Kesari*, 21 July (*RNPBom.*, 25 July 1903).

47. *Rep. INC for 1891*, p. 25.

48. *Ibid.*

49. In *CPA*, p. 619.

50. *RNPBom.*, 19 Apr. 1902. On the other hand, it remarked in its issue dated 31 March 1903, if the country was to be adequately defended it must be developed internally (*RNPBom.*, 4 Apr. 1903).

up' by the army, 'whereas the share that fell to the lot of public education out of this vast sum was represented by less than a crore of rupees', G. K. Gokhale asserted in 1903 that 'no well-sustained or vigorous effort by the State on an adequate scale for the material advancement or the moral progress of the people is possible while our revenues are liable to be appropriated in an ever-increasing proportion for military purposes'.[51]

III. HIGH MILITARY EXPENDITURE AND REMEDIES SUGGESTED

The Indian leaders realised that mere condemnation of high military expenditure was not enough, for the officials, though not denying that it was high, argued that it was inevitable and that, keeping in view the safety of the Indian Empire, it was irreducible. For instance, during the debate on the Financial Statement of 1894-5 General Brackenbury stated in reply to the critics of military expenditure:

> I have seen denunciations, I have seen invectives, I have seen statements and assertions, and have seen appeals to the Government of India to reduce expenditure, but I have never yet seen one single argument. I have seen no argument put forward by anybody to show that military expenditure in this country could reasonably be reduced.[52]

Similarly, Lord Curzon during whose viceroyalty military expenditure steadily climbed up declared in 1901:

> I am not in the least disturbed by the argument that all this military expenditure is a waste, and that the money had

51. Gokhale, *Speeches*, pp. 43-4. Similarly H. C. Mitra bewailed at the Indian National Congress of 1892 that 'Sword is killing the pen and that military barbarism is going to extinguish culture and refinement' (*Rep. INC for 1892*, p. 96). Also see Memorial of the Bombay Presidency Association, dated 27 Jan. 1886, *loc. cit.*; P. Mehta, *Speeches*, pp. 334-5, 350, 457-8; Malaviya, *Speeches*, p. 295; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18963; R. M. Sayani, *LCP*, 1898, Vol. XXXVII, p. 527; A. M. Bose in CPA, pp. 425-7; *Hindu*, 26 Apr. 1902; Gokhale, *Speeches*, pp. 26, 28, 109; C. Y. Chintamani, 'Indian Military Expenditure', *HR*, Feb. 1903, p. 233; *Hitavadi*, 3 Apr. (*RNP-Beng.*, 11 Apr. 1903); Resol. VII of INC for 1903.

52. *LCP*, 1894, Vol. XXXIII, p. 273.

much better be spent upon projects of economic development. I would gladly spend the whole of our revenues in the latter way, but I say frankly that I dare not. The army is required to make India safe; and it cannot be said that India is safe.[53]

The Indian leaders therefore felt compelled to examine the factors that were responsible for the rise in military expenditure and to offer corresponding remedies. But in undertaking this task, they confined themselves to scrutinising the broad policy aspects of the question and seldom offered practical suggestions or went into technical administrative details, as the officials would have liked them to do.[54] The rationale of this approach was clearly stated by D. E. Wacha in 1895 when he remarked that critics of military expenditure were asked by the authorities to make constructive proposals as if they were 'in possession of all those minute details with the aid of which it was possible to submit suggestions'. 'As things are', he declared, 'it is not possible to make what are called "constructive" proposals, when we are not furnished with the materials to enable us to do so. We can only offer "destructive" criticism and we cannot be blamed for it.'[55] The latter task the Indian leaders performed most effectively and vigorously and at length. As a matter of fact, even the few 'positive' remedies proffered by them were really 'destructive' in their genesis as well as their effect.

Various wars in which Indian forces participated and a number of large-scale expeditions undertaken by the Government of India were a major source of the increase of military

53. Curzon, *Speeches II*, p. 266. A year earlier, he had said: 'There are two great duties of Imperial statesmanship in India. The first is to make all these millions of people, if possible, happier, more contented, more prosperous. The second is to keep them and their property safe. We are not going, for the sake of the one duty, to neglect the other' (*Speeches I*, p. 325). Also see *Speeches III*, p. 404.

54. For instance, General Brackenbury had declared in his speech quoted earlier that the Government of India 'welcomes and will always welcome any practical suggestions made to it in the direction of economy' (*LCP*, 1894, Vol. XXXIII, p. 274).

55. Wacha, *Rep. INC for 1895*, p. 73.

expenditure during the period under study. Extraordinary charges incurred on their account alone amounted to nearly Rs. 22 crores during the period 1876-7 to 1902-03.[56] The Indian leaders condemned Indian involvement in these wars and expeditions mainly for financial reasons but also on grounds of political morality and as really involving not Indian interests and purposes but British schemes of territorial and commercial expansion. Nearly all of these wars, etc., were declared to be unwarranted and the products of British greed. The Indian leaders also criticised the unfair and unjust manner in which the cost of these wars and expeditions was apportioned between England and India so that while the benefits accruing from them were reaped by England, the charges arising on account of them were thrown on the shoulders of Indians; and invariably demanded that Britain should bear their entire cost. The more important of the wars and expeditions so condemned and commented upon were the Afghan War, 1878-80, the Egyptian Expedition, 1882, the Soudan Expedition, 1884-5, the Annexation of Burma, 1885-6, the Sikkim Expedition, 1888, the Chitral Expedition, 1895, the Egyptian Expedition, 1896, and the Tibetan Expedition, 1903-04.[57]

In the opinion of the national leaders the unnecessarily large size of the Indian army was another important cause of high military expenditure. The increase in the army to the extent of 10,600 British troops and 20,000 Indian troops, which was undertaken in 1885-7 to meet the Russian threat and which brought the total strength of the army to nearly 2,26,700 men,[58] was strongly opposed by the nationalists as being totally uncalled for and, in any case, excessive and therefore involving sheer waste of public funds.[59] In the following years

56. *Imperial Gazetteer of India* (1908), Vol. IV, p. 187.

57. For detailed treatment of the subject, see my article 'Indian Nationalists and Foreign Wars and Expeditions, 1878-1899' in the *Historical Studies*, No. 1, Department of History, Delhi University.

58. *Imperial Gazetteer of India* (1908), Vol. IV, pp. 348-9.

59. Resol. V of INC for 1885; Wacha, *Rep. INC for 1885*, pp. 60-1; Joshi, *op. cit.*, p. 254; *ABP*, 13 Aug., 15 Oct. 1885; *Hindu*, 20 Aug., 24 Sept., 8 Oct. 1885; *Mahratta*, 11 Oct. 1885; papers quoted in the *VOI*, Oct., Nov. 1885;

they staunchly maintained that the army had increased far beyond the legitimate requirements of the country and should therefore be reduced at the earliest opportunity.[60] Later, when large contingents of Indian troops were sent to assist the British army in Soudan in 1896, South Africa in 1899-1900, and China in 1900-01, they asserted that the fact that large number of troops had been sent out of the country in these instances without any adverse effects on its internal or external security showed that the army could be safely reduced.[61] As a corollary to their belief in the redundancy of the army, they put forth the view that its strength as well as the measures adopted from time to time to improve its efficiency were determined by considerations other than those of national security. These considerations invariably boiled down to safeguarding and promoting British imperial interests in general and maintaining 'the supremacy of British Power in the East' in particular. This point of view was cogently and forcefully propounded by the Indian National Congress at its sessions of 1903 and 1904.[62] It was stated with his usual pungency by Dadabhai Naoroji in

papers covered by the *RNPBeng.* for 22 Aug., 5, 26 Sept., 7 Nov. 1885, 9 Jan. 1886; Memorial of the Bombay Presidency Association, dated 27 Jan. 1886, *Report of Bombay Presidency Association*, 1885-6; pp. 209, 214-5; Madras Mahajan Sabha's Address to Lord Dufferin, *Mahratta*, 7 March 1886; Representation by the Poona Sarvajanik Sabha, dated 30 Sept. 1886; *JPSS*, Oct. 1886 and Jan. 1887 (Vol. IX, Nos. 2-3).

60. Resol. III of INC for 1891; Wacha, *Rep. INC for* 1891, pp. 23-6; Ray, *Poverty*, pp. 304-06; Joshi, *op. cit.*, pp. 141, 201; Wacha, *Speeches*, Appendix pp. 9-10; Gokhale, *Speeches*, pp. 1183, 1205; C. Sankaran Nair in *CPA*, p. 386; *Kesari*, 3 Apr. (*RNPBom.*, 7 Apr. 1900); Wacha in *CPA*, p. 617; Gokhale, *Speeches*, pp. 26-7; *Hindu*, 4 Apr. (*VOI*, 26 Apr. 1902); *HR*, Aug. (*RNPN*, 4 Oct. 1901); S.N. Banerjea in *CPA*, p. 706; C.Y. Chintamani, 'Indian Military Expenditure', *HR*, March 1903, p. 227; L.M. Ghose in *CPA*, p. 764; Dutt, *EHII*, p. xvii.

61. *Bengalee*, 23 May 1896; *ABP*, 27 May 1896; *Hindu*, 27 May (*ISVOI*, 12 July 1896); Resols. III, X, VII, VII(b), and XII(c) of the INC for 1899, 1901, 1902, 1903, and 1904 respectively; B. N. Basu, *Rep. INC for* 1899, p. 53; *Bengalee*, 29 June 1900; Dutt, *Speeches II*, p. 85; H.S. Dixit, *Rep. INC for* 1901, p. 154; Gokhale, *Speeches*, p. 27; P.A. Charlu, *LCP*, 1902, Vol. XLI, pp. 114-5; Sri Ram, *ibid.*, p. 148; S.N. Banerjea in *CPA*, p. 706; B.N. Sen, *Rep. INC for* 1902, p. 105; *ABP*, 16 March 1903; Wacha, *Speeches*, p. 400; Sri Ram, *LCP*, 1903, Vol. XLII, p. 105; L.M. Ghose in *CPA*, p. 764; V.K. Iyer, *Rep. INC for* 1903, p. 121.

62. Resol. VII(a) and Resol. XII(c) respectively.

one of his communications to Welby Commission in 1896 in the following words:

> In fact, the whole European (part of Indian) army is an integral part of the British Army, India being considered and treated as a fine training ground for the British Army, at any expense, for English gain, glory, and prestige, and as a hunting ground for 'our boys,' and as a point of protection for British Imperial and European position, leaving Indians the helotry or the proud privilege of paying for everything to the last farthing, without having the slightest voice in the matter![63]

Similarly, Gokhale asserted that British policy was to use India's resources 'for engaging in a race with European Powers to absorb Asiatic Kingdoms'.[64] Many other Indians wrote and spoke in the same strain.[65]

The nationalist leaders demanded that Indian armed forces should not be employed nor should Indian revenues be spent for military purposes beyond the natural frontiers of India or in the service of British imperialism.[66] And, in any case, they said, the British government should pay for the maintenance of that portion of the Indian army which was earmarked for imperial purposes and which should in fairness be looked upon as a reserve force of Britain stationed in India, as well as for the actual use of the Indian army in imperial wars.[67] These

63. Naoroji, *Speeches*, p. 352. Also see pp. 250, 340-1, and in Masani, *op. cit.*, pp. 454-5.

64. Gokhale, *Speeches*, pp. 106-07. Also see pp. 21, 26-7, 1156, 1205.

65. Ray, *Poverty*, pp. 287, 293, 305-06; *Hindu*, 24 Sept. and 8 Oct. 1885; *Mahratta*, 11 Oct. 1885; newspapers quoted in the *VOI* of Oct., Nov. 1885; Representation of the Poona Sarvajanik Sabha, dated 30 Sept. 1886, *loc. cit.*; Wacha, *Rep. INC for 1891*, p. 29, in *CPA*, pp. 607, 618, *Speeches*, p. 396; Dutt, *England and India*, pp. 110, 137, in *CPA*, p. 490, *Speeches II*, pp. 45, 85, *EHII*, pp. 566-7; Sri Ram, *LCP*, 1902, Vol. XLI, p. 148, and *ibid.*, 1903, Vol. XLII, p. 106; *HR*, Aug. (*RNPN*, 4 Oct. 1902); S. N. Banerjea in *CPA*, pp. 706, 708; B. N. Sen, *Rep. INC for 1902*, p. 105; *ABP*, 22 Sept. 1903; N. M. Samarth, *Rep. INC for 1903*, p. 119; *Bengalee*, 18 March 1905.

66. See above. Also Joshi, *op. cit.*, p. 155; Gokhale, *Speeches*, p. 1163; Wacha, *Speeches*, Appendix p. 33.

67. Resols. III, X, VII, VII(a), and XII(c) of the INC for 1899, 1901, 1902, 1903, 1904 respectively; Joshi, *op. cit.*, p. 158; Gokhale, *Speeches*, pp. 27, 107,

leaders became very angry when, in violation of the principle recommended by them, the British government announced in 1903 a scheme to charge to the Indian revenues a portion of the cost of the maintenance of a garrison of British troops in South Africa. They declared the scheme to be a flagrant attempt at saddling India with the cost of maintaining peace in far-off South Africa. Here was, they said, another effort to utilise the Indian exchequer for the needs of the Empire. Their feelings were often expressed in strong and bitter language. For instance, the *Advocate* of 23 July 1903 wrote: 'Mr Brodrick has sharpened his knife to cut another good slice of flesh off India's breast.'[68] The *Indian Social Reformer* of 19 July 1903 protested against 'this policy of plundering India' and asked other Indian publicists to 'denounce this outrageous proposal in the simple vocabulary of the Ten Commandments'.[69] And Dadabhai Naoroji did not mince matters when he asked, Plato-like, a London gathering: 'What was the cause, what were the circumstances which had led to this depraved state of mind, in which their rulers made this mean and despicable proposal?'[70]

995, 1205-7; Naoroji, *Speeches*, pp. 163, 250, 340-2, 350, Appendix p. 93, in Masani, *op. cit.*, pp. 454-5; P. Mehta, *Speeches*, pp. 453-5; Wacha, *Speeches*, pp. 400-01, Appendix p. 33, and in *CPA*, pp. 618-9; G. S. Iyer, *Welby Commission*, Vol. *III*, Q. 19800; Dutt, *Speeches I*, pp. 34-5, *Speeches II*, p. 85, *EHII*, pp. 566, 612; S. N. Banerjea in *CPA*, p. 706; L. M. Ghose in *CPA*, p. 765; newspapers quoted in the *VOI* of Oct. and Nov. 1885; *Paisa Akhbar*, 4 May (*RNPP*, 18 May 1895); B. N. Sen, *Rep. INC for* 1899, p. 53; *Paisa Akhbar*, 18 Jan. (*RNPP*, 21 Jan. 1899); *Kesari*, 3 Apr. (*RNPBom.*, 7 Apr. 1900); *Bengalee*, 29 June 1900; Sri Ram, *LCP*, 1902, Vol. XLI, p. 148, and *ibid.*, 1903, Vol. XLII, p. 105; B. N. Sen, *Rep. INC for* 1902, p. 105; *ABP*, 22 Sept. 1903; *Bengalee*, 18 March 1905; *Kesari*, 7 Feb. (*RNPBom.*, 11 Feb. 1905). In fact as early as 1867, Dadabhai set the pattern, and perhaps provided a model for the nationalist agitation on the question, by demanding that Britain should pay the ordinary charges of the Indian troops employed in the Abyssinian Expedition (*Essays*, pp. 51-9).

68. *RNPUP*, 25 July 1903. Also *Advocate*, 30 July (*VOI*, 22 Aug. 1903).

69. *RNPBom.*, 25 July 1903.

70. *India*, 7 Aug. 1903. Also see, *Hindu*, 18, 23 July 1903; *Mahratta*, 26 July, 2, 9 Aug. 1903; *ABP*, 18, 20 July 1903; *Bengalee*, 19, 22 July 1903; *Voice of India*, 25 July 1903; papers covered by *RNPBom.* for 25 July 1903, *RNPBeng.* for 25 July, 1 Aug. 1903, *RNPUP*, 8, 15, 22 Aug. 1903, *RNPP* for 1, 8, 15, 22, 29 Aug. 1903, *VOI* for 1, 8, 15 Aug. 1903; *Indian Review*, Aug.

Even though the Indian leaders confined their attention mostly to broad policy aspects of military expenditure, some of them did take up, especially before the forward frontier policy had started pushing up military expenditure during the 1890's, some aspects of military organisation for criticism and correction.

The first important criticism, which was generally only implicit in the comments of most of the Indian leaders but which was explicitly put forward by a few, was that the army in India was more expensive and inefficient than it ought to be.[71]

Many of the Indian leaders quoted facts and figures to prove that the cost per soldier in the army in India was the highest in the world; it was higher than that of the most efficient European military machine—that of Germany; it was even higher than that in India under the East India Company.[72] The costliness of the army was, in their opinion, in turn the product of many factors. Firstly, they held that the Amalgamation Scheme of 1859, the Short Service System, the recruitment and training procedure in England, the system of transport of British troops between England and India, the growth of non-effective services, and the system of pensions of British troops had needlessly and wrongfully and excessively increased the financial burden and should, therefore, be abolished or rectified.[73] In his evidence before the Welby Commission in

1903, p. 45; Wacha, *Speeches*, p. 398; *Kaiser-e-Hind*, 16 Aug. (*ibid.*, 22 Aug. 1903); Public Meeting held at Ahmedabad under the auspices of the Gujarati Sabha, *Praja Bandhu*, 16 Aug. (RNPBom., 22 Aug. 1903).

71. Joshi, *op. cit.*, pp. 155-6, 253-4; *Indian Leaflets*, No. 11, p. 2; Wacha, *Rep. INC for 1885*, pp. 53, 61; Gokhale, *Speeches*, pp. 1181-3; P. A. Charlu, *LCP*, 1902, Vol. XLI, pp. 113, 115.

72. S. N. Banerjea, *Speeches II*, p. 73, *Speeches III*, pp. 6-7; *Indian Leaflets*, No. 11, p. 2; *ABP*, 13 Aug. 1885; Wacha, *Rep. INC for 1885*, pp. 53, 61, *Speeches*, Appendix p. 16; Joshi, *op. cit.*, p. 253; Ray, *Poverty*, p. 285; Gokhale, *Speeches*, p. 1183; A. Bhimji, *Rep. INC for 1891*, p. 40.

73. For criticism of the Amalgamation Scheme of 1859, see 'A Statement of Indian Questions' by Poona Sarvajanik Sabha, *JPSS*, July 1881 (Vol. IV, No. 1), p. 10; Wacha, *Rep. INC for 1885*, pp. 53-6, *Rep. INC for 1891*, p. 23, *Rep. INC for 1895*, p. 71, *Rep. INC for 1897*, p. 29, *Speeches*, p. 395; S. N. Banerjea in *CPA*, p. 245; Gokhale, *Speeches*, p. 1184; C. Y. Chintamani, 'Indian

1897, G. K. Gokhale made a trenchant criticism of the Indian Staff Corps system. Condemning 'this extraordinary system of promotions and pensions' according to which every officer could rely on getting a colonel's allowance 'if he lived and clung to the service till he had served 38 years' and which had resulted in the upper ranks of the service being filled with officers 'for whom there is no work', Gokhale wryly remarked that the system of promotions in the army was 'regulated, not in accordance with the needs of the services, but in the interest of the officers, as if the Army was for the officers, and not the officers for the Army'. In fact, he felt, the officers of the army were overpaid both while in service as well as after retirement.[74]

Some of the Indian leaders believed that the salaries and maintenance of the British soldiers in India were also extravagant. For instance, the *Indian Spectator* of 15 August 1880 pointed out that the British soldier costs more than 5 times more in India than a soldier in Europe and observed:

> Here, then is the pruning knife absolutely necessary. Surely, we do not want our soldiers to be pampered in luxury.... We by no means wish to see the brave British soldier ill-clad and ill-fed; but people suspect that he is overfed, if not overdressed.... We also believe that compared with the scanty food rations supplied to the native army, the British soldier is most luxuriantly (*sic*) maintained.[75]

When, in 1902, the pay of the British soldiers in India was

Military Expenditure', HR, Feb. 1903, p. 120; Resol. VII(d) of INC for 1903. For other aspects, see Ranade, 'Review of Fawcett's "Three Essays on Indian Finance"', *loc. cit.*, p. 80; *Indian Spectator*, 11 May (*RNPBom.*, 17 May 1884); Wacha, *Rep. INC for 1885*, pp. 57-60; *Indian Leaflets*, No. 9, pp. 6-7; Joshi, *op. cit.*, p. 156; Resol. III of INC for 1891; Gokhale, *Speeches*, pp. 992-5, 1184; Naoroji, *Speeches*, pp. 160, 352; *Bangabasi*, 20 Apr. (*RNPBeng.*, 27 Apr. 1895).

74. Gokhale, *Speeches*, pp. 1186-7. Justice Ranade had asked for the abolition of the Staff Corps system as early as 1880. See his 'Review of Fawcett's "Three Essays on Indian Finance"', *loc. cit.*, p. 80. The feeling that Indian army officers were overpaid was also expressed in the *Indian Leaflets*, No. 9, p. 6.

75. *RNPBom.*, 21 Aug. 1880. Also *Indian Spectator*, 20 Aug. (*ibid.*, 26 Aug. 1882); *Indian Leaflets*, No. 11, p. 2; *Swadesamitran*, 17 Aug. (*RNPM*, Aug. 1885); *ABP*, 16 Sept. 1886; A. Bhimji, *Rep. INC for 1888*, pp. 133-4.

increased following a similar increase in England, the Indian National Congress as well as other leaders entered their 'most emphatic protest' against the measure.[76] At the same time, it may be noted, some of them pleaded for an increase in the low pay of the Indian soldier,[77] and when the Government of India increased his pay in 1895 from Rs. 7 to Rs. 9 per month many of them welcomed the measure as a 'cheering news'.[78]

Another measure of economy suggested by some of the Indian leaders was the abolition of the separate Presidential Commands, which, they declared, were militarily useless having been reduced, because of central Imperial control, to 'the shadow without substance', and whose sole purpose at the time seemed to them to be the provision of sinecures to high military officials.[79] The Indian leaders also opposed Lord Kitchener's scheme of 1904 for the redistribution and reorganisation of the army, because it involved additional expenditure, and demanded that its burden should not be thrown on the Indian Exchequer.[80]

76. Resols. VII and VII(c) of INC for 1902 and 1903; ABP, 28 Apr. 1902; *Hindu*, 24 March, 15 Apr., 9 July 1902; *Mahratta*, 6 July 1902; *Gujarati*, 6 July, *Madras Standard*, 8 July, *Native Opinion*, 9 July, *Indian Nation*, 21 July (VOI, 2 Aug. 1902); *Kesari*, 8 July (RNPBom., 12 July 1902); *Andhra-prakasika*, 16 Apr. (RNPM, 19 Apr. 1902); *Swadesamitran*, 16 July (*ibid.*, 26 July 1902); *Nizam-ul-Mulk*, 24 March (RNPN, 29 March 1902); S. N. Banerjea in CPA, p. 706; Wacha, *Speeches*, p. 397; ABP, 20 and 23 Aug. 1903; *Bengalee*, 22 Aug. (RNPBeng., 29 Aug. 1903); *Voice of India*, 18 July, *Kal*, 17 July (RNPBom., 18 July 1903); *Kesari*, 21 July (*ibid.*, 25 July 1903); Public meeting at Ahmedabad, *Praja Bandhu*, 16 Aug. (*ibid.*, 22 Aug. 1903) (interestingly enough, the *Praja Bandhu* complained that the leading Shethias —richmen—were entirely absent); *Indian People* and *Oudh Samachar* of 7 Aug. (RNPUP, 15 Aug. 1903); L. M. Ghose in CPA, p. 763; *Akhbar-i-Am*, 16 July (RNPP, 25 July 1903).

77. Joshi, *op. cit.*, pp. 239, 241, 252; *Subodh Patrika*, 16 Nov., *Jame Jamsed*, 22 Nov. (RNPBom., 22 Nov. 1884); *Advocate*, 29 Jan. (RNPUP, 4 Feb. 1905).

78. Ray, *Poverty*, p. 285; *Mahratta*, 24 March 1895; G. R. M. Chitnavis, LCP, 1895, Vol. XXXIV, p. 400; *Bangabasi*, 29 March (RNPBeng., 6 Apr. 1895); *Sahachar*, 10 Apr. (*ibid.*, 20 Apr. 1895); *Akhbar-i-Am*, 28 March (RNPP, 6 Apr. 1895); *Shubha Suchak*, 12 Apr. (RNPBom., 20 Apr. 1895).

79. *Indu Prakash*, 28 May (RNPBom., 2 June 1883); S. V. Subbarayudu, *Rep.* INC for 1885, p. 72; *Hindu*, 24 June 1885; *Swadesamitran*, 17 Aug. (RNPM, Aug. 1885); *Tribune*, 18 Sept. (VOI, Oct. 1886); Joshi, *op. cit.*, pp. 6-7; N. G. Chandavarkar in CPA, p. 529; Wacha, *Speeches*, Appendix p. 15. It may be noted here that the separate Presidency armies were abolished in 1893.

80. Resol. XII(b) of INC for 1904; *Kaiser-e-Hind*, 25 Dec. (RNPBom., 31

It is, however, the attitude adopted by them towards the Kitchener-Curzon controversy over the question of the Military Department[81] that clearly brings out the extent to which they were committed to economy in military expenditure. This controversy, in which Curzon staked his viceregal career itself, was made public at a time in mid-1905 when, because of the Universities Act, the Calcutta University Convocation Address, and the Partition of Bengal, the nationalists had become intensely anti-Curzon. It would have been but human for them to have supported Kitchener out of spite for the man against whom they had been carrying on a virulent campaign. However, their opposition to Curzon was after all not personal but was rooted in their nationalism. They therefore invariably supported Curzon against Kitchener and the Secretary of State out of the fear that any increase in the powers of the Commander-in-Chief was likely to swell military expenditure, even though this support was lukewarm and often stuck in their throats.[82]

In the opinion of some of the national leaders another factor responsible for the high cost of the army in India was the high proportion of the costlier British troops in it. For this reason, as well as many others, they demanded the Indianisation of the army.[83] A few of them, however, recognised that the alien

Dec. 1904); *Indian People*, 28 Aug. (RNPUP, 3 Sept. 1904); *Advocate*, 29 Jan. (*ibid.*, 4 Feb. 1905); Gokhale, *Speeches*, pp. 102-04; *Indu Prakash*, 23 March, *Kaiser-e-Hind* and *Gujarati* of 26 March (RNPBom., 25 March 1905); *Indian Social Reformer*, 26 March, *Oriental Review*, 29 March, *Kal.* 31 March (*ibid.*, 1 Apr. 1905); *Swadesamitran*, 9 May, *Prapanchataraki*, 13 May, *Dravidavarthamani*, 11 May (RNPM, 13 May 1905).

81. Refer to Lovat Fraser, *op. cit.*, pp. 415-53.

82. ABP, 15 May 1905; *Mahratta*, 25 June 1905; HR, July 1905, pp. 80-1; and papers covered by the RNPBom. for 1, 8 July 1905, RNPM for 1, 15 July 1905, RNPBeng. for 1, 8, 15 July 1905, RNPUP for 1, 8 July 1905.

83. Ranade, 'Review of Fawcett's "Three Essays on Indian Finance"', JPSS, *loc. cit.*, p. 80; *Hindustan*, 6 Dec. (RNPPN, 12 Dec. 1883); *Sahachar*, 12 Aug. (RNPBeng., 22 Aug. 1885); *Tribune*, 30 May, *Subodh Patrika*, 27 May (VOI, June 1885); S. A. Swaminath Iyer, *Rep. INC* for 1885, p. 68; *Navavibhakar*, 1 Feb. (RNPBeng., 6 Feb. 1886); A. Bhimji, *Rep. INC* for 1888, pp. 133-4; B. N. Dar, *Rep. INC* for 1894, p. 139; Ray, *Poverty*, p. 284; Naoroji, *Speeches*, pp. 75-6; Gokhale, *Speeches*, pp. 1182-3; C. Y. Chintamani, 'Indian Military Expenditure', HR, Feb. 1903, pp. 226-7.

character of the Government of India necessitated the maintenance of a certain number of British troops in India; but they suggested that this number need not be as large as it was at the time.[84] Moreover, many of them argued that since the British troops were required to maintain the alien regime in India their cost should be borne entirely by the British Exchequer or at least shared by it with India.[85] They also criticised the denial to Indians of the opportunity to become officers in the army and felt that this was objectionable on. among other reasons, financial grounds since British officers were costlier than Indian officers. They therefore demanded the opening of the doors of higher military service to Indians.[86] It should, however, be kept in view that the financial ground was perhaps one of the lesser reasons why they raised the demand.

G. V. Joshi and G. K. Gokhale also criticised the policy of maintaining the army merely as a standing army which, in the absence of a system of volunteers, national militia, and reserves, meant keeping it perpetually on a war footing. This involved, they said, among other weaknesses such as emasculation of the nation, a great deal of financial wastage with the result that the tax-payer did not get 'his money's worth in return'. They pointed out that the measure of strength of a country was the number of troops it could raise in an emergency. While other countries could increase their armies at short notice to many times their peace-time strength, the army in India was incapable of expansion by even a single battalion except by an arithmetical increase in its cost. This made the

84. Naoroji, *Speeches*, pp. 74-5; Gokhale, *Speeches*, p. 1182.

85. This demand is discussed at length below.

86. The Indian National Congress had raised this demand as early as 1887 and 1888 (Resol. IV and VI respectively) and then repeated it almost continuously till 1904. Its resolutions did not specifically advance the economic argument but the persons who moved the resolutions or spoke on them often did. See A. M. Bhimji, *Rep. INC for 1888*, p. 134, and Tilak, *Rep. INC for 1891*, pp. 38-9. Also see *Indian Spectator*, 22 Jan. (RNPBom., 28 Jan. 1882); *Mahratta*, 14 Feb. 1886; *Hindustan*, 7 Oct. (RNPN, 8 Oct. 1891); Gokhale, *Speeches*, pp. 1185, 1187-8; *Kesari*, 17 Jan. (RNPBom., 21 Jan. 1899).

Indian system inefficient and 'ruinously and extravagantly' expensive. On the other hand, they said, a system of reserves would enable the government to reduce the strength of the army and thus provide relief to the Exchequer while increasing at the same time the total armed strength of the country.[87]

Another step in this direction that the nationalists proposed was the institution of a system of volunteering. The Indian National Congress had started pleading for this measure in 1886 and it continued to do so almost annually thereafter.[88] The ostensible purpose of this demand was to enhance the country's defensive capacity. But the speakers on these resolutions often dilated on its financial advantages.[89]

More than any other factor, believed the Indian national leadership, it was the frontier expeditions, and the preparation for them, that were responsible for the existence of a large army and for the burdensome military expenditure. And since these expeditions were in turn linked with the official frontier policy, the Indian leadership censured this policy at length and pressed for its reversal.[90] Furthermore, it demanded that, if it was not possible to abandon the forward frontier policy, England should bear the entire or at all events a considerable share of its financial burden in view of the fact that this policy

87. Joshi, *op. cit.*, pp. 156, 242, 246-7, 253-4; Gokhale, *Speeches*, pp. 46-8, 90-1, 1183-5. Also see Raja Rampal Singh, *Rep. INC for 1886*, p. 93. It is of some interest to note that even in the days of the East India Company, Raja Rammohun Roy had advocated the substitution of a militia force for the greater part of the standing army as a measure of retrenchment of administrative expenditure. The saving thus effected, he had said, 'would be much greater than any gain that could be realised by any system of increasing land revenue that human ingenuity could devise' (quoted in B. B. Majumdar, *op. cit.*, p. 70).

88. Resol. XII of 1886, Resol. V of 1887, Resol. VI of 1888, *et seq.*

89. Rampal Singh, *Rep. INC for 1886*, p. 93; M. Wahid Ali, *Rep. INC for 1888* p. 133; Tilak, *Rep. INC for 1891*. pp. 38-9; Gokhale, *Speeches*, pp. 48-9. In order that this demand might not be taken for another effort to push the careers of the educated Indians or the 'Bengalis', Gokhale proposed that the government might 'select particular areas and particular sections of the community for their experiment' (*ibid.*). Also see *ibid.*, pp. 90-1; Joshi, *op. cit.*, pp. 7-8, 252; *Hindu*, 20 Apr. 1885.

90. For detailed treatment of the subject, see my article 'Indian Nationalists and Foreign Wars and Expeditions, 1878-9' in the *Historical Studies*, No. 1.

was dictated primarily by England's Imperial purposes and interests and it was England that largely profited from it.[91]

We have already discussed above how the nationalists put forward the demand that Britain should bear the entire or a part of the cost of India's participation in foreign wars, the cost of the portion of the army maintained in India and the military expenditure incurred over and above the needs of India for Imperial purposes, and the expenses of the frontier wars and the forward policy in general. Some of the tallest of the nationalist leaders of the day went one step further. They demanded that the British Exchequer should contribute even towards the normal defence expenditure of India. This demand was also made in conjunction with the appeal for sharing the entire administrative expenditure of India.

The reasoning behind this 'curious' demand is even more interesting and throws a flood of light on the national leadership's understanding of the purposes of British rule in India. In essence the nationalists argued that Englishmen were as much interested in the defence of India as India itself, since they derived important economic and political advantages from their governance of India. This argument was often advanced quite candidly and forcefully. Presiding over the Indian National Congress of 1893, Dadabhai Naoroji asked:

> ... with all such deep, vast and great interests, and the

91. Resols. VII, VIII, I and II and III, and VII of INC for 1892, 1895, 1897 and 1898 respectively; P. Mehta, *Speeches*, pp. 452-3; Ray, *Poverty*, pp. 299-300; *Azad*, 17 May (RNPN, 25 May 1895); S. N. Banerjea in CPA, p. 255, *S and W*, Appendix p. 48; D. G. Padhye, *Rep. INC* for 1895, p. 101; P. A. Charlu, LCP, 1896, Vol. XXXV, p. 286; Naoroji, *Speeches*, pp. 344-6, 349-50, Appendix pp. 79, 93 ff.; Wacha, *Speeches*, Appendix p. 33, *Rep. INC* for 1897, p. 32; Gokhale, *Speeches*, pp. 1206-07; G. S. Iyer, *Welby Commission*, Vol. III, Q. 19800; *Hindu*, 26 Aug. 1897; *Riaz-ul-Akhbar*, 12 Jan. (RNPN, 19 Jan. 1897); *Hindustani*, 13 Oct., 22 Dec. (*ibid.*, 20 Oct., 29 Dec. 1897); *Sahachar*, 22 Dec. 1897 (RNPBeng., 1 Jan. 1898); *Sanjivani*, 12 Feb. (*ibid.*, 19 Feb. 1898); G. R. M. Chitnavis, LCP, 1898, Vol. XXXVII, p. 486; R. M. Sayani, *ibid.*, pp. 525-7; *Bengalee*, 26 March 1898; *Gurakhi*, 26 Feb., *Rajyabhakta*, 1 March, *Kaiser-e-Hind*, 27 Feb. (RNPBom., 5 March 1898); Dutt, *England and India*, pp. 110-1, *Speeches* I, pp. 34-5, 41; A. M. Bose in CPA, p. 421; P. A. Charlu, LCP, 1902, Vol. XLI, p. 116; H. A. Wadia, *Rep. INC* for 1904, p. 203; L. M. Ghose in CPA, p. 765; *Kesari*, 7 Feb. (RNPBom., 11 Feb. 1905).

> greatness and prosperity of the United Kingdom, essentially depending on the Eastern Empire, and indissolubly bound up with it, is it reasonable, is it just and fair, is it British that all the cost of such greatness, glory, and prosperity of the United Kingdom should be entirely, to the last farthing, thrown upon the wretched Indians, as if the only relations existing between the United Kingdom and India were not of mutual benefit, but of mere masters and slaves as Macaulay pointed out to be deprecated.[92]

And after a life-time of agitation for this demand, the Grand Old Man of India and the founder of the Moderate trend of Indian nationalism wrote with evident bitterness: 'The main object of European military expenditure in India is to secure from Russian attack British power, British prestige and British exaction of forty to fifty-millions a year for British interests'.[93] Similarly, P. C. Ray asked rather boldly in 1895: 'If India is ever won by Russia (God forbid the calamity), will India be the only loser? Will not England's greatest strength and her most valuable market be lost to her too?' And he quoted Lord Randolph Churchill to the effect that 'without India England would cease to be a nation'.[94] The extremist Marathi newspaper *Kal*, edited by Prof. S. M. Paranjpye of Poona, very nearly crossed into the bounds of sedition when in its issue dated 28 August 1903 it declared that India had nothing to lose if Russia came. The Indian ryot, it wrote,

92. *CPA*, p. 168. Also see Naoroji's *Speeches*, Appendix pp. 75-6, 78, 90.

93. Quoted in Masani, *op. cit.*, p. 456.

94. Ray, *Poverty*, p. 299. Similarly, the President of the Indian National Congress for 1898 asked 'Is she (England) quite sure that she would not suffer in her honour and prestige, in her commerce, in employment for her capital and for her people, in the loss of many of the millions that make up that precious item called the "Home Charges," if India's safety is imperilled and she is lost to the British crown?' (A. M. Bose in *CPA*, p. 420). Also see *Hindu*, 20 Aug. 1885, 13 Feb. 1890; *Surabhi*, 1 Sept. (*RNPBeng.*, 5 Sept. 1885); *Pataka*, 18 Sept. (*ibid.*, 26 Sept. 1885); *Tarangay Naison*, 1 Sept. (*RNPM*, 15 Sept. 1888); *ABP*, 5 Apr. 1895, 27 May 1896; R. M. Sayani, *LCP*, 1898, Vol. XXXVII, p. 527; S. N. Banerjea, *S and W*, Appendix pp. 26, 48, *Welby Commission*, Vol. III, Q. 19435, in *CPA*, p. 708; *Kesari*, 10 June (*RNPBom.*, 14 June 1902); Dutt, *England and India*, pp. 140-1, 145, 166, *EHII*, p. 567; Gokhale, *Speeches*, pp. 28, 105, 1208.

> will continue to till his fields, which cannot be taken away from the country, and his present plight is so doleful already that it cannot be made much worse by the advent of Russians. The danger of a Russian invasion must therefore be guarded against chiefly by our rulers whom it principally affects. It is they who will lose India.[95]

While criticising the large employment of British troops, the exclusion of Indians from the higher ranks of the army, and the reliance upon a standing army in the absence of a system of reserves, the more perceptive of the Indian leaders were acutely aware of the fact that these tendencies, taken in conjunction with the general disarming of the people of India, sprang not from errors of judgment but from a deep-seated fear and distrust of the Indian people. The *Mahratta* of 29 March 1891 declared that the only reason why India's military expenditure was increasing was 'that the British rulers are becoming more and more unpopular and distrust is increasing' with the result that 'the work of forcing contentment upon the people as also that of creating a neutral zone round about is vigorously pushed on'. P. C. Ray wrote in 1895 that the principal cause of the large increase of the European element in the Indian army was the policy of 'holding India by mere brute force'. 'This distrust prompts our rulers not only to govern the country with an iron hand,' he remarked, 'but also to be always in a state of military "preparedness" equal to meet the darkest emergency'.[96] The *Amrita Bazar Patrika* of 6 September 1894 also echoed the view that the increase in Indian military expenditure was due to 'the suspicion which the rulers entertain of the people'. Earlier, in its issue dated 3 September 1885, the *Patrika* had expressed the opinion that this distrust was the key to an understanding of Britain's attitude towards Russian moves in Central Asia. 'They do not fear the Russians,' it had claimed, 'but they fear that the approach of the Russians may lead the natives of India to rise against them. And hence their desire of keeping

95. RNPBom., 29 Aug. 1903.
96. Ray, *Poverty*, p. 296.

the Russians thousands of miles away from the frontiers of India.' C. Sankaran Nair in his Presidential Address to the Congress of 1897 and G. K. Gokhale in his budget speech of 1903 also made this criticism, though with their usual moderation of expression.[97] It was, however, Dadabhai Naoroji who, under the crossfire of questioning before the Welby Commission, gave most distinct and sharp expression to this view. He maintained that the high ratio of one British soldier to two Indians in the Indian army was maintained 'on account of the fear that is entertained that the soldiers cannot be depended upon; it is the fear of the people'. 'Of the soldiers?' he was pointedly asked and he replied: 'I mean of the Indian soldier; it is the fear of the Indian soldier.' He again came back to this point while answering the next question and stated: 'If you say that a certain amount of European Troops are necessary it is always from fear that the Indian Army will not behave properly'.[98]

As an alternative to the policy of distrust and heavy military expenditure, these leaders pleaded for a policy of placing the defence of the country on a national basis by trusting and confiding in Indian people who should be made prosperous and contented.[99] Similarly, many of them suggested that the policy of gaining the favour and loyalty of the people was a much better alternative as a measure of defence against Russia as compared to the costly forward frontier policy. The real scientific frontier, they said, lay in the hearts of a loyal people and the best line of defence against foreign aggression was to work for internal reforms and the contentment of the people.[100]

97. C. Sankaran Nair in CPA, p. 387; Gokhale, *Speeches*, p. 48.

98. Naoroji, *Speeches*, Appendix pp. 75-6. Cf. H. L. Singh, *op. cit.*, pp. 165-8, 206.

99. Resol. IV of INC for 1891; Tilak, *Rep. INC for 1891*, pp. 38-9; S. A. S. Iyer, *Rep. INC for 1885*, p. 68; Joshi, *op. cit.*, pp. 156, 252; Naoroji, *Speeches*, Appendix p. 75; Ray, *Poverty*, p. 297; Wacha, *Speeches*, Appendix p. 16; Gokhale, *Speeches*, pp. 48-9, 90-1.

100. Naoroji, *Poverty*, p. 216, in CPA, pp. 165-6. *Speeches*, pp. 658-9, 664; S. N. Banerjea, *Speeches I*, p. 192, *S and W*, p. 422 and in CPA, p. 250; *ABP*, 3 Sept. 1885 and 19 July 1891; *Bengalee*, 4 June 1887, 30 Oct. 1897

IV. CIVIL EXPENDITURE

The Indian national leaders were not as critical of civil expenditure as of military expenditure. Many of them did, of course, protest against the growth of civil expenditure but the fire and the passion of the other protest were often missing. Their chief criticism in this respect was that the administration was very costly, specially for a poor country like India. This view was neatly summed up by D. E. Wacha in 1897 when he wrote that 'to carry on a system of Western administration in an Asiatic country like India, with its Asiatic poverty, is indeed the very reverse of financial statesmanship'.[101]

According to the Indian leaders the costliness of the administration arose chiefly from the high-salary structure at the top of the administrative pyramid. In fact, this was perhaps their only important complaint against civil expenditure. Naturally, therefore, the proposals for the retrenchment of civil expenditure were also mostly confined to this aspect of administration.

The measure for retrenchment of civil expenditure that was most often suggested by the national leadership was the Indianisation of the superior posts in all the administrative services—civil, railway, engineering, medical, postal, telegraph, police, public works, customs, etc., and in particular

and 1 July 1903; *Kesari*, 14 Sept. (*RNPBom.*, 18 Sept. 1897); A. M. Bose in *CPA*, p. 403; P. A. Charlu, *LCP*, 1902, Vol. XLI, pp. 115-6. The *Amrita Bazar Patrika* of 1 May 1884 applied this approach in reverse as it wrote: 'It is on this ground, the people of India view with intense satisfaction the approach of Russia towards the frontiers. The more the Russians come nearer, the better the people of India will be appreciated by their masters.'

101. *India*, July 1897, p. 202. Also see, for example, *ABP*, 21 May 1885, 31 May 1888; Bombay Presidency Association's Memorandum on Retrenchment of Expenditure, dated 27 Aug. 1886, *Second Annual Report of the Bombay Presidency Association*, 1886-7; Poona Sarvajanik Sabha's Representation, dated 30 Sept. 1886, *JPSS*, Oct. 1886 and Jan. 1887 (Vol. IX, Nos. 2 and 3); Joshi, *op. cit.*, pp. 824-5; Resolutions III(b) and III of the INC for 1891 and 1904 respectively; P. Mehta, *Speeches*, p. 456; Malaviya, *Speeches*, pp. 250, 281; Wacha, *Speeches*, Appendix pp. 9, 31-2, in *CPA*, pp. 607-08; A. Nundy in *Indian Politics*, p. 127; 'The Economic Situation in India' *Dawn*, Oct. 1899 (Vol. IV, No. 3), p. 65.

the great Indian Civil Service—which were a practical monopoly of British citizens and which invariably carried handsome salaries, pensions, and allowances. This is, however, too vast a subject to be tackled in this study and is also beyond its scope. Moreover, this is one of the nationalist demands that has been highlighted—perhaps overmuch though not correctly—in the existing studies dealing with the growth of the Indian national movement between 1858 and 1905. However, in view of the fact that it was one of the most important and widely accepted and supported planks of the nationalist agitation during the last quarter of the 19th century it is being discussed here, though only in brief. To bring about this Indianisation of public services, the Indian leaders suggested, in addition to a direct increase in the number of Indians, the adoption of certain indirect administrative steps like the holding of simultaneous examinations in India and England for ICS and other services and raising the age-limit for competitive examinations.

The national leadership demanded the Indianisation of public services on the many and varied grounds of social and moral gains, political expediency, right and justice, fulfilment of the 'pledge' of 1858, administrative efficiency, and economy in administration.[102] Here we are concerned only with the economic grounds, which were believed in more widely and advanced more often than has usually been assumed hitherto. Then

102. We may cite only a few examples. *For moral and social gains*, see G. K. Gokhale, *Speeches*, p. 188. *Indian people's right*: The *Amrita Bazar Patrika* of 23 Dec. 1886 affirmed that 'The people of India claim that all Indian posts belong to them as of right. The ground of their claim is that the posts are maintained out of the resources of India and that they as the people of India have a property in them'. Similarly, while introducing Resolution I at the National Congress of 1904, Surendranath Banerjea argued that 'the point is that only 14 to 17 per cent of the higher appointments fall to our lot, although the country is ours, the money is ours, and the bulk of the population is ours' (*Rep. INC for 1904*, p. 64). *Politically*, the Indianisation of services was preached on the ground that the educated classes would become politically discontented unless they were provided gainful employment. See, for example, Naoroji, *Essays*, p. 38, *Poverty*, p. 205, *Speeches*, p. 507; Mandlik, *Speeches*, p. 701; *ABP*, 9 January 1886; Gokhale, *Speeches*, pp. 68-9.

again, their economic criticism of the predominance of Europeans in the administrative organs was two-pronged. The preponderance of Europeans was charged, on the one hand, with draining the wealth of the country—since a large part of the salaries and pensions drawn by the European employees was exported—and therefore with causing poverty, and, on the other, with creating financial difficulties for the government because of the high scales of salaries at which Europeans were paid. For the present purpose, we have once again to separate the two aspects of the question, dealing here only with the expenditure side and leaving the aspect of drain to be dealt with in the next chapter. It may also be pointed out here that a certain automatic 'division of labour' as regards these two aspects seems to have occurred among the Indian leaders. For example, the Indian National Congress buttressed their demand primarily with appeals to justice, political expediency, administrative efficiency and the provision contained in the Charter of 1858; Dadabhai Naoroji, Wacha, Dutt and some others laid emphasis on the drain: the *Amrita Bazar Patrika*, the *Hindu*, the *Mahratta*, the *Kesari*, and G. V. Joshi and most of the other national leaders stressed the question of economical administration. However, the three groups were not exclusive in their arguments; many a time they advanced all the three sets of grounds.

The financial argument as advanced by the Indian leaders boiled down in essence to this: The Europeans were, and perhaps had to be, paid on a costly scale and, therefore, the preponderance of the foreign agency in the higher rungs was an important cause of the costliness of Indian administration; on the other hand, since Indians might be employed on a comparatively lower salary, the administrative expenditure would be brought down markedly by employing them in place of the costlier European agency.[103] The aspect of economy in this

103. Resols. III, III(ii) XV, II(c), and I(b) of INC for 1801, 1897, 1902, 1903 and 1904 respectively; Naoroji, *Poverty*, pp. 124, 184, 639, *Speeches*, pp. 284-6, Appendix p. 5; S. N. Banerjea, *Speeches I*, p. 191, in *CPA*, p. 270, *S and W*, Appendix pp. 26-8, 32, 44, 47; Petition adopted at a Public Meet-

context was sometimes emphasised to the explicit exclusion of the moral and political aspects. The *Amrita Bazar Patrika* of 18 November 1886, for example, remarked, with a candidness that was one of this paper's many outstanding qualities when it was edited by the brothers Sisirkumar and Motilal Ghose:

> It would be throwing away pearls before the Government to talk of 'immorality' of the action of ostracising Natives from all offices of emolument, or of the 'political blunder' of keeping alive disaffection by treating them as a subject nation without any political rights whatsoever. *Without, therefore, resorting to frivolous clamour, we must, in order to gain our end, stick to the point of economy.* (Emphasis added)

The economists among the Indian leaders also tried to make

ing at Poona on 16 May 1880, *JPSS*, July 1880 (Vol. III, No. 1), p. 7; Ranade, 'Review of Fawcett's "Three Essays on Indian Finance"', *JPSS*, July 1880 (Vol. III, No. 1), p. 80; Poona Sarvajanik Sabha's Memorandum, dated 2 March 1881, *JPSS*, July 1881 (Vol. IV, No. 1), p. 12; Joshi, *op. cit.*, pp. 5-6, 49, 155; Bombay Presidency Association's Memorandum, dated 27 Aug. 1886, *Second Annual Report of the Bombay Presidency Association*; Memorandum of the Madras Mahajan Sabha, *Report of the Finance Committee*, 1886 (Calc., 1887), Vol. II, pp. 452-3; Ranade, 'Memorandum of Dissent' *ibid.*, Vol. I, p. 398; Malaviya, *Speeches*, pp. 280, 299-301, 518; Gokhale, *Speeches*, pp. 28, 63-4, 1187-8; Wacha, *Speeches*, Appendix pp. 26-7, 29, 31-2, in CPA, p. 609; Dutt, *EHI*, p. 413, *EHII*, p. xvii, in CPA, p. 491; G. S. Iyer, EA, p. 100, *Welby Commission*, Vol. III, Q. 19764; S. A. Swaminath Iyer, *Rep. INC for 1885*, p. 68; Lala Murlidhar, *Rep. INC for 1891*, p. 15; G. A. Patil, *Rep. INC for 1902*, p. 139; *Navavibhakar*, 14 June (*RNPBeng.*, 19 June 1880); *Arunodaya*, 23 Jan. (*RNPBom.*, 29 Jan. 1881); *Bakul*, 31 Dec., *Shivaji*, 29 Dec. 1882 (*ibid.*, 7 Jan. 1883); *Indian Spectator*, 25 Feb. and 24 June (*ibid.*, 3 March and 30 June 1883 respectively); *Mahratta*, 3 June, 9 Sept. 1883; *Almora Akhbar*, 9 July (*RNPPN* 14 July 1883); *Uchit Vakta*, 15 March (*RNPBeng.*, 22 March 1884); *Navavibhakar*, 1 Sept. (*ibid.*, 6 Sept 1884); *Pataka*, 10 July (*ibid.*, 18 July 1885); *Native Opinion*, 19 Apr. (*RNP Bom.*, 25 Apr. 1885); *Indu Prakash*, 25 May (*ibid.*, 30 May 1885); *ABP*, 21 May 1885, 18 Nov., 9 and 16 Dec. 1886; *Bengalee*, 16 Jan. 1886; *Mahratta*, 14 Feb. 1886; *Indian Spectator*, 27 June and 14 Nov. 1886; *Mahratta*, 20 June, *Hindu*, 15 July (*VOI*, July 1886); editorial summary of Indian press opinion, *VOI*, July 1886; *Kesari*, 31 Jan. (*RNPBom.*, 4 Feb. 1888); *Akhbar-i-Am*, 21 Apr. (*RNPP*, 28 Apr. 1888); *ABP*, 31 May 1888 and 3 March and 24 May 1894; *Victoria Paper*, 30 Nov. (*RNPP*, 12 Dec. 1891); *Arya Jana Priyan*, 8 Apr. (*RNPM*, 30 Apr. 1893); *Jnanodayamu*, 1 May (*ibid.*, 15 May 1893); *Bangabasi*, 20 Apr. (*RNPBeng.*, 27 Apr. 1895); *Basumati*, 5 May (*ibid.*, 14 May 1898); *Kesari*, 31 March (*RNPBom.*, 4 Apr. 1903); *Indian People*, 18 Aug. (*RNPUP*, 27 Aug. 1904).

a statistical analysis of the problem. Basing themselves on a Parliamentary return of 17 May 1892, they calculated that Europeans getting salaries or pensions of Rs. 1,000 or more per year drew nearly 14½ crores of rupees per year in salaries and pensions, which came to nearly 30 per cent of the total net revenue of the Indian government.[104]

Directly implied in this entire financial argument in favour of the Indianisation of public services was the belief that whenever an Indian displaced a European in service he should be given a lower salary. In fact, this presumption was basic to the nationalist thesis. Yet, surprisingly enough, comparative to the frequency with which the main thesis was proclaimed, it was very rarely openly stated or preached. On the contrary, some of the Indian leaders went to the extent of demanding—on the plea of racial equality, the justice of regulating salaries and conditions by the nature of the posts and their responsibilities rather than on the basis of the nationalities of the people holding them, and the need to maintain the dignity of position of the Indian civil servant—the same pay, leave, and pension for Indians as Europeans were getting or might get. Thus, for example, demanding the same pay for the Indian civil servants as for the English ones, the *Brahmo Public Opinion* of 11 September 1879 protested against the attempt to create a new caste system that would 'stamp inferiority upon the Native Civilian'. Similarly, remonstrating against the Lytton Scheme of Statutory Civil Service, the *Bengalee* of 10 January 1880 remarked:

> The Native Civilian is a grotesque figure, without the prestige and dignity, the prospects and emoluments which lend so much charm to a European Civilian. He stands on a

104. Different totals were arrived at by different persons, but all of them naturally approximated the above figures given by Madan Mohan Malaviya at the 1892 session of the Indian National Congress (*Speeches*, pp. 515-6). Also see, Naoroji, *Speeches*, p. 134 (his figure was Rs. 20 crores), Appendix pp. 6, 89-90; Wacha in *CPA*, p. 607; Dutt, *EHI*, f.n. on p. 427, *Speeches I*, p. 178; Gokhale, *Speeches*, pp. 1187-8. For the parliamentary return, see P.P. (H. of C.), 1892, Vol. 58, paper 192. For net revenue of India refer to the *Imperial Gazetteer of India* (1908), Vol. IV, p. 201.

> different footing altogether, in respect of his pay and pension, name and title, from that of his European Compeer. . . . But it is a position which no man with a grain of self-respect and independence in him will covet or like to occupy before the eyes of the world.

In their replies to the Public Service Commission of 1886, V. N. Mandlik, Pherozeshah Mehta, and B. G. Tilak pleaded for the principle of 'equal pay for equal work'.[105] Later still, A. M. Bose, the Congress President for 1898, and G. K. Gokhale objected vehemently to any discrimination between Indians and Europeans in regard to salaries.[106] On the other hand, the *Amrita Bazar Patrika*, the *Hindu*, the *Swadesamitran*, the *Kesari*, and many others did openly and even vigorously demand lower salaries for Indians, realising that without such a stipulation the entire nationalist case for Indianisation on the ground of economy in administration would fall to the ground. It is of some interest in this context to study at some length, and in its own words, the position adopted by the *Amrita Bazar Patrika* in a series of editorials published during November and December 1886. Advising Indians to accept the suggestion that those candidates who passed competitive examinations held in India should receive two-thirds of the regular pay, it wrote on 18 November 1886: 'Thus, if we clamour for equal pay with the Europeans, we take away the only motive that Government has in moving in the matter . . . . the question is not between right and no right, but between to get or not to get.' Reiterating this argument in its issues of 9 and 16 December, it further pointed out that the fact of Indians doing a competent job on a smaller salary would act as an indirect pressure on the government to bring down the salaries of all civil servants. Dealing with the objec-

105. Mandlik, *Speeches*, pp. 186-7; P. Mehta, *Speeches*, p. 225. For other Indian leaders, see *Proceedings of the Public Service Commission* (Cal., 1887), Vol. I, Section III, pp. 18-20, 45-6; Vol. II, Section II, p. 23; Vol. III, Section III, p. 5; Vol. IV, Section II, pp. 102, 325 (Tilak); Vol. V, Section II, pp. 288, 393; Vol. VI, Section II, pp. 36, 240, 273, 428, 442, 494, 504, Section III, pp. 32, 71, 86.

106. A. M. Bose in *CPA*, p. 407; Gokhale, *Speeches*, p. 68.

tion that the lower-paid Indian officials would suffer loss of dignity and public respect, the *Patrika* made comments which, apart from their precociousness, are a good example of the extent to which liberal-democratic thought had taken roots in the editor's mind:

> Let it be borne in mind that this respect for the officials is an item, which has been introduced into the country by the alien rulers of the land. It is not necessary for the maintenance of law and order that the officials should be so unduly respected as they are done in India. In India the Government has done all it can to put the officials in a position far beyond the reach of the people.... A Government, which is despotic, needs that its officials should have despotic powers over the people.... it is the policy of the Government to raise officials at the sacrifice of our self-respect and independence of character.... It is quite unpatriotic to talk of securing the respect for the officials. Our whole energies ought to be directed towards bringing the officials down and raising the people up a little.

Similarly, the *Hindu*, in its issue dated 15 July 1886, expressed the conviction that the educated Indian would agree to 'serve his own country and his own countrymen for a smaller consideration than what a hired foreigner might claim'. It advised Indians to avoid 'the suicidal course' of demanding the same salaries as those being paid to foreigners.[107] On 25 May 1887, it again urged that it was 'absurd and unpatriotic on the part of the natives to demand for themselves the same salaries as they condemn to be extravagant in the case of Englishmen'.[108] Similarly, in their evidence before the Public Service Commission of 1886 several nationalist leaders either said that

107. *VOI*, July 1886.

108. Also see, *Rast Goftar*, 29 June, *Shubha Suchak*, 13 June (RNPBom., 5 July 1879); S. A. Swaminath Iyer, *Rep. INC for 1885*, p. 68; *Indian Spectator*, and *Mahratta*, 20 June (*VOI*, July 1886); *Swadesamitran*, undated (RNPM, Feb. 1887); *Kesari*, 31 Jan. (RNPBom., 4 Feb. 1888); *Arya Jana Priyan*, 8 Apr. (RNPM, 30 Apr. 1893); *ABP*, 24 May 1894; *Basumati*, 5 May (RNPBeng., 14 May 1898); G. S. Iyer, *EA*, p. 100; Dutt, *Speeches I*, p. 94.

Indians should receive lower salaries than those paid to Europeans[109] or put forward a mixed proposal that up to a salary of Rs. 1,000 per month there should be equality in pay and above this amount Indians should get less.[110] In his evidence before the Welby Commission in 1898, Surendranath Banerjea advanced the same view rather euphemistically, perhaps to avoid sharp criticism at the hands of some fellow-leaders. While asking for the adoption of the principle that 'wherever a native of India was qualified for an office he be appointed to it', he suggested that a considerable saving in public expenditure would follow 'if the pay was adjusted with reference to the local marketable value of the qualifications required'.[111] Similarly, Dadabhai Naoroji, in his evidence before the Welby Commission, acknowledged that 'India must be governed by its own native labour and at native rates', and claimed that 'in the rates, although with equal efficiency, there will be at least one-third saving according to Government's own scale'.[112]

Apart from suggesting Indianisation of the services, the Indian leaders seldom put forward any other concrete proposal that would cut down administrative costs to any significant extent; they usually confined themselves to making a vague and general demand for retrenchment of civil expenditure. Some of the less important measures of retrenchment suggested by them, and that too mostly during the 1880's, were as follows:

In their opinion, a substantial saving in civil expenditure could be affected by reducing the salaries drawn by superior government officials. They declared that the Covenanted Civil Servants, who were mostly Europeans, and certain other high

109. *Proceedings of the Public Service Commission* (1887), Vol. II, Section III, p. 41; Vol. III, Section III, p. 7; Vol. IV, Section III, p. 147; Vol. V, Section, II, p. 214; Vol. VI, Section II, p. 386, Section III, p. 93.

110. *Ibid.*, Vol. IV, Section II, p. 130 (Naoroji), p. 145 (Ranade); Vol. V, Section II, p. 230; Vol. VI, Section II, p. 74.

111. S. N. Banerjea, *S and W*, Appendix p. 47. Also see S. N. Banerjea, *Welby Commission*, Vol. III, Q. 19419.

112. Naoroji, *Speeches*, Appendix p. 5. Also see Appendix pp. 11, 31-2, 37.

officials, for example, the Governor-General, the Governors, the Secretaries to the government and the Commissioners, drew exorbitantly high salaries, pensions, and allowances, which could be cut down with a great deal of profit to the exchequer and without any real hardship to their recipients, since the life of hardship and near exile that was their justification in the past had now changed for the better as a result of improvements in the means of communication between England and India and in the conditions of living in India.[113]

They further felt that many of the higher administrative

113. *ABP*, 27 Feb. 1880; Ranade, 'Review of Fawcett's "Three Essays on Indian Finance"', *JPSS*, July 1880 (Vol. III, No. 1), p. 80; *Jalwa Tur*, 1 March (*RNPPN*, 4 March 1880); *Bharat Mihir*, 3 Aug. (*RNPBeng.*, 14 Aug. 1880); *JPSS*, July 1881 (Vol. IV, No. 1), p. 10; *Bengalee*, 29 Oct. 1881; *Bakul*, 31 Dec. 1882; *Shivaji*, 29 Dec. 1882 (*RNPBom.*, 6 Jan. 1883); *Bharat Mihir*, 5 June (*RNPBeng.*, 9 June 1883); *Surabhi*, 2 June (*ibid.*, 7 June 1884); *Navavibhakar*, 1 Sept. (*ibid.*, 6 Sept. 1884); *Tatvavivechani*, 4 May (*RNPM*, May 1884); *Bengalee*, 19 July 1884; *Prajabandhu*, 6 Feb. (*RNPBeng.*, 14 Feb. 1885); *Pataka*, 11 Sept. (*ibid.*, 19 Sept. 1885); *Native Opinion*, 19 Apr. (*RNPBom.*, 25 Apr. 1885); *Indu Prakash*, 25 May (*ibid.*, 30 May 1885); *Swadesamitran*, 17 Aug. (*RNPM*, Aug. 1885); V. Raghavachariar, *Rep. INC for 1885*, pp. 44-5; J. U. Yajnik, *ibid.*, p. 65; S. A. S. Iyer, *ibid.*, p. 68; S. N. Banerjea, *Speeches III*, pp. 15-6, 195; *Mahratta*, 14 Feb. and 18 July 1886; *Sind Times*, 10 June, *Bengalee*, 3 July (*VOI*, July 1886); *Sanjivani*, 9 Jan., *Som Prakash*, 11 Jan. (*RNPBeng.*, 16 Jan. 1886); *Bharat Mihir*, 14 Jan. (*ibid.*, 23 Jan. 1886); *Sar Sudhanidhi*, 15 March, *Uchit Vakta*, 13 March, *Som Prakash* and *Samachar Chandrika*, 15 March (*ibid.*, 20 March 1886); *Bangabasi*, 6 Nov. (*ibid.*, 13 Nov. 1886); *Report of the Bombay Presidency Association*, 1886-7, pp. 44-6, 54; Poona Sarvajanik Sabha's Memorandum, dated 30 Sept. 1886, *JPSS*, Oct. 1886, Jan. 1887 (Vol. IX, Nos. 2-3), p. 6; Memoranda of the Madras Mahajan Sabha and other local public associations, *Report of the Finance Committee*, 1886, Vol. II, p. 453; *Swadesamitran*, undated (*RNPM*, Feb. 1887); S. S. Iyer and G. S. Iyer, *Proceedings of the Public Service Commission*, 1887, Vol. V, Section II, pp. 214 and 288 respectively; *ABP*, 16 Sept. 1886; *Tribune*, 18 Sept. and *Behar Herald*, 21 Sept. (*VOI*, Oct. 1886); *Hindu*, 25 May 1887; papers covered by *RNP Bom.*, 28 Jan. 1888; *Kesari*, 31 Jan. (*RNPBom.*, 4 Feb. 1888); *Azad*, 3 Feb. (*RNPN*, 7 Feb. 1888); *Hindustan*, 18 Aug. (*ibid.*, 21 Aug. 1889); *Tarangai Naison*, 5 Oct. (*RNPM*, 31 Oct. 1889); Naoroji, *Speeches*, pp. 144, 397, Appendix pp. 32-3; *Rahbar-i-Hind*, 26 Feb. (*RNPP*, 3 March 1894); Ray, *Poverty*, pp. 306, 308-10, 318; S. K. Nair, *Rep. INC for 1895*, p. 74; Bishambhar Nath, *LCP*, 1897, Vol. XXXVI, p. 185, and *ibid.*, 1898, Vol. XXXVII, pp. 518-9. In fact the demand for a reduction in high salaries was an old one, since it was made for the first time in 1852 in the Petition of Members of the British Indian Association and other Native Inhabitants of the Bengal Presidency (reproduced in B. B. Majumdar, *op. cit.*, p. 482).

posts, for instance Revenue Boards and Revenue Commissionerships, and some of the middle-level supervisory posts were unnecessary or even sinecures and should therefore be abolished.[114] Many of them also demanded the abolition of the India Council in England for, among other reasons, the economic one of its costliness unaccompanied by any usefulness.[115]

At the same time, some of the nationalists opposed the tendency of the government to effect retrenchment by abolishing the lower-grade, low-paid posts or by reducing their emoluments.[116] Many of them went even further and pressed the government, sometimes in the same breath in which they

114. *Deccan Star*, 12 Sept. (*RNPBom.*, 18 Sept. 1880); *JPSS*, July 1881 (Vol. IV, No. 1), p. 10; Joshi, *op. cit.*, pp. 3-7, 64, 69, 75-7, 82; *Mahratta*, 25 Feb. 1883; *Indu Prakash*, 26 March, 28 May (*RNPBom.*, 31 March, 2 June 1883); J. U. Yajnik, *Rep. INC for 1885*, p. 65; S. A. S. Iyer, *ibid.*, p. 68; *Hindu*, 24 June 1885; editorial summary of Indian press opinion, *VOI*, July 1886; *Mahratta*, 17 Jan. 1886; *Mahratta*, 20 June, *Indian Mirror*, 22 June, 3 July, *Bengalee*, 3 July (*VOI*, July 1886); Bombay Presidency Association's Memorandum on Expenditure, dated 27 Aug. 1886, *loc. cit.*; Representation from the Poona Sarvajanik Sabha, dated 30 Sept. 1886, *loc. cit.*, pp. 7, 10; Memoranda from the Madras Mahajan Sabha and many other local public associations, *Report of the Finance Committee*, 1886, Vol. II, pp. 450, 452-4, 459-65, 471-84; Ranade, 'Memorandum of Dissent', *ibid.*, Vol. I, pp. 395-6, 398, 403-04; Gokhale, *Speeches*, pp. 1197-9. Also see Tilak, *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXXIII, p. 91.

115. The Indian National Congress raised this demand at its very first session and then repeated it over the years, but it did not advance any economic reasons. For Congress, see Resols. II, IV, XI(g), IV(f), and XX(f) of 1885, 1894, 1896, 1897, and 1898 respectively. S. Mudaliar, *Rep. INC for 1885*, pp. 27-8; *Swadesamitran*, 17 Aug. (*RNPM*, Aug. 1885); *Tarangay Naison*, 14 July (*RNPM*, 15 July 1888); *Swadesamitran*, 21 July (*ibid.*, 31 July 1888); *Swadesamitran*, 6 June (*ibid.*, 15 June 1900).

116. While addressing the First Indian National Congress J. U. Yajnik criticised the fact that 'generally the plan adopted by Heads of Departments for the purpose of showing what reduction is or can be made by them is to dispense with the services of a clerk here and a clerk there, to dismiss a *paniwala* or water bearer who supplies water to the thirsty members of a public establishment, or a *chaprasi* on perhaps Rs. 8 or Rs. 10 a month', and opined that 'any cheese paring policy of the kind at present pursued can surely impart no sensible relief' (*Rep. INC for 1885*, p. 65). Also *Jalwa Tur*, 1 March (*RNPPN*, 4 March 1880); *ABP*, 21 May 1885; *Som Prakash* and *Ananda Bazar Patrika*, 1 June (*RNPBeng.*, 6 June 1885); *Rahbar-i-Hind*, 1 June (*RNPP*, 15 June 1889); *Sanjivani*, 21 Sept. (*RNPBeng.*, 28 Sept. 1889); *Tarangay Naison*, 5 Oct. (*RNPM*, 31 Oct. 1889); *Rahbar-i-Hind*, 26 Feb. (*RNPP*, 3 March 1894); *Sanjivani*, 20 Apr. (*RNPBeng.*, 27 Apr. 1895); *Basumati*, 5 May (*ibid.*, 14 May 1898).

asked for a reduction in high salaries, to raise the extremely low salaries of its subordinate administrative and police employees. Thus, for example, in his Congress Presidential Address of 1895, Surendranath Banerjea, while criticising the Exchange Compensation Allowance, put in a plea for an increase in the salaries of the ministerial employees and peons of the government and complained that 'the humbler classes of public servants who can hardly make two ends meet, who have to eke out their miserable pittance by resort to practices which will not bear the test of scrutiny, but which dire necessity imposes upon them, still continue to draw salaries which were fixed many years ago'.[117]

Another measure of retrenchment that found wide popularity among nationalist circles, even though the saving as a result of its adoption would have been none too significant in terms of rupees, annas, and pies, was the termination of the annual migration of the central and provincial governments to hill-stations during the summer months—usually between April and October—or 'the Exodus to the Hills' as this migration came to be known. As a matter of fact, the Indians twice mounted minor agitations around this demand, once during 1886-7 when the appointment of the Finance Committee by the Government of India made retrenchment a live issue in Indian politics, and again in 1897 when a disastrous famine engulfed the land. They condemned the exodus to the hills on various economic, political and administrative grounds.[118] We are, however, concerned here only with their economic objection that the luxury of the annual sojourn to the hills involved

117. S. N. Banerjea in CPA, pp. 263-4. Also, *Suthesabhimani*, 15 Apr. (RNPM, Apr. 1878); Resols. VII(c), V(e), III(e), XVI(e), VII, and X of INC for 1891, 1892, 1893, 1894, 1901, and 1902 respectively; *Akhbar-i-Am*, 20 Aug. (RNPP, 7 Sept. 1895); *Sahachar*, 10 Apr. (RNPBeng., 20 Apr. 1895); *Bengalee*, 11 Apr. 1896; S. N. Banerjea, *S and W*, Appendix p. 25; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18963, 19710, 19719-20, 19735, 19761; *Hindustan*, 14 July (RNPN, 20 July 1898); A. M. Bose in CPA, p. 426; Gokhale, *Speeches*, pp 95, 1200; *Victoria Paper*, 8 July (RNPP, 19 July 1902). Also see, Naoroji, *Speeches*. Appendix p. 15.

118. These reasons were well summarised by S. N. Banerjea in 1886 (*Speeches III*, pp. 10-20).

heavy and needless outlay which a poor country could ill afford.[119] This argument was sometimes stated rather forcefully. For instance, the *Behar Herald* of 20 July 1886 commented: 'The life of the officials in the hills is nothing but full of gaieties and festivities, and for the enormous expenditure which is incurred by these the poor taxpayer of India is drained of his heart's blood.'[120] Some of the Indian leaders also pointed to the logical inconsistency of the entire arrangement: The British officials were paid so highly in the first instance because it was presumed that they had to work in the heat of the

119. ABP, 19 Nov. 1880; *Indian Spectator*, 24 Oct. (RNPBom., 30 Oct. 1880); *Bengalee*, 19 March 1881, 12 March 1882; *Mahratta*, 27 March 1881; *Som Prakash*, 17 Jan. (RNPBeng., 22 Jan. 1881); *Dacca Prakash*, 20 Feb. (*ibid.*, 26 Feb. 1881); *Burdwan Sanjivani*, 22 March (*ibid.*, 2 Apr. 1881); *Sadharani*, 13 Nov. (*ibid.*, 19 Nov. 1881); *Charu Varta*, 6 March (*ibid.*, March 1882); *Som Prakash*, 27 March (*ibid.*, 1 Apr. 1882); *Burdwan Sanjivani*, 2 May (*ibid.*, 13 May 1882); *Almora Akhbar*, 7 May (RNPPN, 10 May 1883); *Hindustan*, 28 March (*ibid.*, 2 Apr. 1884); *Bengalee*, 15 March and 21 June 1884; papers covered by RNPBeng. for 31 May, 21, 28 June, 5, 12, 19 July 1884, VOI for 30 June, 15, 31 July 1884, June, July 1886, RNPBeng. for 2, 9, 16, 23, 30 Jan., 3, 10, 24 July 1886; *Shafiq-i-Hind*, 22 May (RNPP, 31 May 1886); *Ghamkhwar-i-Hind*, 26 June (*ibid.*, 5 July 1886); *Bengalee*, 10 June 1885; V. S. Pantulu Guru, *Rep. INC for 1885*, p. 72; *Bengalee*, 3 Apr. 17 July 1886; *Mahratta*, 17 Oct. 1886; S. N. Banerjea, *Speeches III*, pp. 6, 12-4; Bombay Presidency Association's Memorandum, dated 27 Aug. 1886, *loc. cit.*; Memoranda from the Meerut Association and the Madras Mahajan Sabha, *Report of the Finance Committee*, 1886, Vol. II, pp. 452-3; *Hindu*, 2 May 1887; *Bangabasi*, 26 Feb. (RNPBeng., 5 March 1887); *Rast Goftar*, 2 Apr. (RNPBom., 27 Apr. 1887); *Sultan-ul-Akhbar*, 15 Dec. (RNPM, 15 Dec. 1887); Joshi, *op. cit.*, p. 155; *Hindu*, 22 June 1888, 1 June 1891, 3 Feb. 1892, 31 July 1893, 2 Apr. 1894; *Hindustan*, 5 Feb. (RNPN, 10 Feb. 1889); *Samaya*, 10 March, *Sanjivani*, 11 March (RNPBeng., 18 March 1893); *Charu Varta*, 20 March, *Sahachar*, 22 March (*ibid.*, 1 Apr. 1893); *Hindustan*, 5 Apr. (RNPBom., 11 Apr. 1896); Wacha, *Speeches*, Appendix p. 26; ABP, 27, 28 Feb. 1897; *Mahratta*, 14 March 1897; *Sanjivani*, 13 Feb. (RNPBeng., 20 Feb. 1897); *Uriya* and *Navsamvad* of 24 March (*ibid.*, 15 May 1897); *Madras Standard*, 11 March (ISVOI, 21 March 1897); *Dnyan Prakash*, 11 March, *Satya Mitra*, 7 March, *Kathiawar Times*, 10 March (RNPBom., 13 March 1897); *Shri Sayaji Vijaya*, 17 March, *Independent*, 21 March (*ibid.*, 27 March 1897); *Bharat Jiwan*, 15 Feb. (RNPN, 17 Feb. 1897); *Azad*, 5 March, *Hindustani*, 3 March (*ibid.*, 10 March 1897); *Anjumani-i-Hind*, 3 Apr., *Rafi-ul-Akhbar*, 5 Apr. (*ibid.*, 14 Apr. 1897); *Karnatak Prakasika*, 8 March (RNPM, 15 March 1897); *Sasilekha*, 16 March (*ibid.*, 31 March 1897); *Swadesamitran*, 1 Apr. (*ibid.*, 15 Apr. 1897); *Sasilekha*, 30 Sept. (*ibid.*, 15 Oct. 1898); *Swadesamitran*, 14 Apr. (*ibid.*, 30 Apr. 1899); *Hitavadi*, 3 March (RNPBeng., 11 March 1899); *Andhraprakasika*, 10 March (RNPM, 15 March 1000); Dutt, *England and India*, p. 165.

120. VOI, July 1886.

plains and then a large sum of money was spent to enable them to go to the hill-stations during the summer months![121]

Some of the other measures of retrenchment put forward by the Indian leaders were (a) reduction of the interest charges on the public debt, primarily by placing the whole of it under the guarantee of the British government whose credit in the money market was superior to that of the Indian government;[122] and (b) a careful pruning of the 'wasteful' expenditure on the Public Works Department.[123]

One of the important ways of curtailing expenditure, said the Indian leaders, was to slow down the rate of railway construction. This aspect of the nationalist financial policy has, however, already been discussed at length in Chapter V of this study.

V. APPORTIONMENT OF EXPENDITURE BETWEEN BRITAIN AND INDIA

Another remedy suggested by the Indian leaders for reducing India's financial difficulties was that Britain should give it a fairer treatment in financial matters by contributing towards the cost of maintenance of its Indian Empire. This remedy was also put forward by them as a means of reducing the 'drain' of wealth from India. Dadabhai Naoroji, in particular, agitated for this demand on the second ground.[124] Finally, he succeeded —as a Member of Parliament—in getting a Royal Commission (the Welby Commission) appointed in May 1895 to inquire into 'the apportionment of charges between the governments of

121. *Burdwan Sanjivani*, 17 June, *Sahachar*, 18 June, *Samaya*, 23 June (*RNPBeng.*, 28 June 1884); *Oudh Punch*, 29 July (*RNPPN*, 4 Aug. 1884); *Tribune*, 19 July (*VOI*, 31 July 1884); S. N. Banerjea, *Speeches III*, p. 16.

122. Naoroji, *Essays*, p. 170, *Poverty*, pp. 142, 210, in *CPA*, pp. 173-4; Resolution VI of INC for 1885; Joshi, *op. cit.*, pp. 102-05, 111-2, 131-5; *Kesari*, 31 May (*RNPBom.*, 4 June 1898); Dutt, *EHII*, pp. xvii, 612.

123. Joshi, *op. cit.*, pp. 55-61; Bombay Presidency Association's Memorandum, dated 27 Aug. 1886, *loc. cit.*; Ray, *Poverty*, pp. 311-4; Gokhale, *Speeches*, p. 1202.

124. See, in particular, Naoroji, *Speeches*, pp. 149, 150ff., 330ff. He averred that the existing financial relations between England and India were virtually those of a master and a slave (*Speeches*, pp. 163, 338, 342, Appendix pp. 78, 93, in *CPA*, p. 168).

the United Kingdom and of India for purposes in which both are interested'. Earlier, in December 1894, the Indian National Congress had passed a resolution demanding a similar enquiry.[125]

A more equitable apportionment of expenditure between Britain and India was demanded by the Indians on two grounds. Firstly, on the narrow ground that India was 'sacrificed to the exigencies of British estimates' and was unjustly and wrongfully saddled with expenses which, in all justice, should have been borne, or at least shared, by the British Exchequer since they were incurred primarily in British interests.[126] Such were the expenses of wars within and outside the country in which India had participated, part of the expenditure on the Indian army,[127] expenses of the India Office in London,[128] expenses of embassies and naval stations in various countries of Asia,[129] and many miscellaneous expenses like those of the Afghan Prince Nasrullah's visit to London in 1895,[130] expenses of the Indian contingent at the Coronation,[131] and the Viceroy's tour of the Persian Gulf in 1902.[132] Secondly, on the much broader and

125. Resol. V. Several other Indian leaders extended full support to the demand for a fairer apportionment of expenditure between the two countries. See references cited below in the course of the detailed examination of this demand. See, for example, R. M. Sayani in *CPA*, p. 368; papers quoted in *ISVOI* of May, June, and July 1897; evidence of Gokhale, Wacha, Naoroji, S. N. Banerjea, and G. S. Iyer before the Welby Commission; Dutt, *Famines in India*, p. xx, and *EHII*, p. 213.

126. Gokhale, *Speeches*, pp. 1204-07; Wacha, *Speeches*, pp. 394-5; Naoroji, *Speeches*, p. 343, *Poverty*, p. x; S. N. Banerjea in *CPA*, pp. 253-4, 268-9; P. Mehta, *Speeches*, pp. 361-2; Dutt, *Speeches II*, p. 46; *ABP*, 4 Jan. 1883.

127. See above.

128. Naoroji in *CPA*, p. 173, *Speeches*, p. 339, *Poverty*, p. 607; S. N. Banerjea in *CPA*, p. 254; Gokhale, *Speeches*, pp. 1204-05; Dutt, *Speeches II*, p. 47, *EHII*, pp. xvi, 613; Wacha, *Speeches*, p. 395; Resol. VII of the INC for 1904.

129. S. N. Banerjea, in *CPA*, p. 254; Wacha, *Speeches*, p. 395, Appendix p. 33.

130. *ABP*, 24 June, 15 Sept. 1895; papers covered by the *RNPBom.* for 22, 29 June 1895, *RNPBeng.* for 29 June, 6 July 1895, *RNPN* for 4 June, 2, 9, 16, 23, 30 July 1895, *RNPM* for 30 June, 15, 31 July 1895; S. N. Banerjea in *CPA*, p. 256; Naoroji, *Speeches*, p. 351; Ray, *Poverty*, p. 338.

131. *ABP*, 11 July 1902; *Hindu*, 18 July 1902; papers covered by the *RNPBom.*, 26 July, 23 Aug. 1902, *RNPM* for 19, 26 July 1902, *RNPN* for 19, 26 July, 9, 16, 23 Aug. 1902, *RNPBeng.* for 19, 26 July 1902, *RNPP* for 2 Aug. 1902.

132. *Hitavadi*, 30 Oct. (*RNPBeng.*, 7 Nov. 1903); *Indian People*, 6 Nov. (*RNPUP*, 7 Nov. 1903); *Advocate*, 13 Dec. (*ibid.*, 19 Dec. 1903).

more important ground that, since British supremacy in India and the maintenance of law and order and an efficient administration immensely benefited British commerce, industry, and capital and provided employment to a large number of British citizens, the British government should be willing to pay for this supremacy and to meet a part of the ordinary, normal expenses of the governance of India.[133]

Apart from asking for a contribution towards military expenditure, some of the Indian leaders put forward two concrete and important proposals in this respect: firstly, Britain should share, or even meet entirely, the cost of the European portion of all the services in India, since these were, in any case, obviously and expressly employed by the Government of India to ensure British supremacy in the country;[134] secondly, Britain should bear an equitable share of the Home Charges of the Government of India or of its expenditure in England.[135]

An indirect advantage that some of the Indian leaders foresaw in case of Britain agreeing to make a contribution towards Indian expenditure was that of Parliament and the people of Britain taking a deeper and more critical interest in Indian finance since then their own pockets would be involved.[136]

133. Naoroji, *Poverty*, p. 142, in *CPA*, pp. 167-8, 171, *Speeches*, pp. 146, 151-5, 158, 162-3, 299, 330-6, 380, Appendix pp. 78-9; Gokhale, *Speeches*, p. 1208; P. A. Charlu, *LCP*, 1897, Vol. XXXVI, p. 231; G. S. Iyer, *Welby Commission*, Vol. III, Q. 19800; Dutt, *EHI*, p. 409. *EHII*, pp. xvi-xvii, 605, 613. In this context these leaders also reminded their rulers that they had not spent a shilling of their own to acquire the Indian Empire, the entire cost of whose conquest, including the cost of the suppression of the Revolt of 1857, had been paid by the Indian people. Naoroji, *Poverty*, pp. ix, 210, in *CPA*, p. 170, *Speeches*, pp. 222, 351, Appendix p. 78; Gokhale, *Speeches*, p. 1207; Dutt, *EHI*, pp. 399, 406, 409, *Speeches II*, p. 46.

134. Naoroji, *Poverty*, pp. 142, 657, in *CPA*, pp. 167-8, *Speeches*, pp. 146, 150, 158-9, 337-40, Appendix pp. 5, 23, 43-4, 75, 79, 89-90; Waeha, *Speeches*, p. 400, Appendix p. 33, in *CPA*, p. 618; S. N. Banerjea, *Welby Commission*, Vol. III, Q. 19419; G. S. Iyer, *ibid.*, Q. 19800.

135. *Indian Spectator*, 25 Feb. (*RNPBom.*, 3 March 1883); S. N. Banerjea in *CPA*, pp. 254-5; Naoroji, *Speeches*, p. 340, Appendix p. 79; Wacha, *Speeches*, Appendix p. 33; Resolution XIII(b) of the INC for 1898; Dutt, *EHII*, pp. xvi-xvii, 215, 613.

136. S. N. Banerjea in *CPA*, pp. 256-7; H. A. Wadia, *Rep. INC for 1895*, p. 99; C. Sankaran Nair in *CPA*, p. 386; Dutt, *Speeches I*, p. 35; Wacha in *CPA*, pp. 618-9, *Speeches*, p. 400.

The Welby Commission reported in 1900. It was on the whole satisfied with the existing financial relations between Britain and India. It therefore recommended only a small relief to the Indian treasury out of the British Exchequer. Dadabhai Naoroji, William Wedderburn, and W. S. Caine, who were also members of the Commission, disagreed with the majority of the Commission and submitted a Minority Report which more or less reflected the Indian nationalist point of view.[137] While the Indian National Congress gratefully accepted the British contribution promised by the Welby Commission,[138] many other leaders voiced dissatisfaction with its findings and felt that this contribution was of a flea-bite character and should be seen as only a very small instalment of justice due to India. On the other hand, they enthusiastically welcomed the Minority Report.[139]

VI. WELFARE EXPENDITURE

Even though the Indian national leaders agitated continuously for retrenchment in public expenditure, they were not opposed in principle to the growth of every type of expenditure, that is to say their financial outlook was in no way limited to the principle of minimum taxation and minimum expenditure. On the contrary, while agitating for the reduction of expenditure on the army, civil administration, and railways—all three of which were looked upon by them as unnecessary, wasteful, and over-fed avenues of expenditure—they welcomed, and in fact prayed and pressed for, increased expenditure on what may be called the developmental and welfare activities of the state, namely, provision of facilities for primary, high, and technical education, industrial and agriculture progress, development of agricultural banks, sanitation and public health, a

137. *Final Report of the Royal Commission on the Administration of the Expenditure of India* (Vol. IV), PP (H. of C.), 1900, Vol. 29, C. 131.

138. Resol. XI of 1900.

139. Wacha in *CPA*, p. 618, *Speeches*, pp. 398, 400-01; S. N. Banerjea in *CPA*, p. 708; Dut, *EHII*, pp. 557, 559; *Bengalee*, 24 Apr. 1900; *Mahratta* and *Kaiser-i-Hind* of 6 May (*RNPBom.*, 12 May 1900); *Hindustani*, 25 Apr. (*RNPN*, 1 May 1900); *Swadesamitran*, 16 Apr. (RNPN, 30 Apr. 1900).

popular and efficient police system, and administration of justice. As a matter of fact, after a review of the directions in which the Indian leaders desired economies an examination of the directions in which they *did not* desire economies is quite rewarding and revealing. It provides an interesting insight into their grasp of the problem of proper distribution and scope of public expenditure.

At the level of generalisation, the national leaders fully recognised the possibilities and desirability of utilising public expenditure to hasten the social, political, and economic progress of the country. They maintained that the amount actually spent by the Government of India for direct benefit of the people or for their moral and material development, as distinct from the expenditure on police and defence functions of the state, was extremely paltry. They, therefore, demanded that the government should spend more in that direction and that when the axe of retrenchment had to fall it should fall not on the necessary but on the unnecessary expenditure of the state. Thus, while proposing a series of measures of retrenchment in 1886-7 to tide over the financial crisis, G. V. Joshi issued a warning against 'curtailment of "*necessary* and *desirable*" expenditure with the eventual result of stoppage or retardation of progress'; and laid down the dictum that 'economies — in whatever direction contemplated — must be, to be permanent and useful, compatible with both Progress and Efficiency'.[140] Later, in 1888, he defended the Indian political associations and writers against the charge of wanting reduction of '*really useful* and necessary expenditure', and claimed that they, on the contrary, wanted an increase in expenditure on technical education, administration of justice, etc. What 'the exponents of public opinion' had been insisting all along and consistently, he asserted, was that

> Government should curtail what experience and prudence point to as *useless* and *needless* and *mischievous* expenditure of public money, — useless such as the construction of

140. Joshi, *op. cit.*, pp. 1-2.

palatial buildings; *needless* such as the expenses of the exodus to the hills, and the employment of *costly* European agency in places where *cheaper* Native agency of equal or even greater capacity is available, and unnecessary additions to the Army and Home Charges; and *mischievous* such as money spent on the 'scientific rectification of the Frontier,' in pleasant 'Military promenades' into other people's territory. . . .[141]

In his speech in the Imperial Legislative Council on the budget of 1895, Pherozeshah Mehta complained that the chief evil of high military and administrative expenditure was that very little was left for the most necessary purposes such as education and police reform.[142] In his very first speech on the Bombay budget of 1895, B. G. Tilak deprecated the fact that of the 5½ crores of additional revenue raised by the Bombay Government since 1870 only a few lakhs had been spent on the material development of the province. He pointed out that the additional revenue had been unnecessarily spent on various administrative departments while what the country required was more expenditure on nation-building activities such as education — industrial, technical, or liberal — village sanitation, roads, canals, etc.[143] Speaking on the budget of 1896, he pointedly drew the special attention of the government to the fact that 'the chief difference between the official and non-official view is in regard to *the channel of expenditure*'.[144] Similarly, in his evidence before the Welby Commission in 1897, D.E. Wacha made the clear recommendation that 'adequate Civil Expenditure of a productive character is much to be desired'. He then defined productive expenditure in a rather scientific manner as the expenditure that gave 'the tax-payer a fair *quid pro quo*, such as education for the masses, more efficient

141. *Ibid.*, pp. 154-5.

142. P. Mehta, *Speeches*, pp. 456-7.

143. *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXXIII, pp. 90-1.

144. (Emphasis added). *Ibid.*, 1896, Vol. XXXIV, p. 119. Also see pp. 2 and 3 of this chapter.

administration of justice, greater village and town sanitation, and all other works of public utility which contribute to the expansion of provincial resources and prosperity of the people'.[145]

The Indian National Congress which had for years been demanding increased budgetary appropriations for general and technical education, administration of justice, etc., formulated its demands in 1897 in a more general form when it prayed that 'the Military and other unproductive expenditure be reduced, that larger amounts be spent in promoting the welfare and the progress of the people.'[146] Lastly, we may take note of G. K. Gokhale's views. Fully supporting the proposed official measures for increased irrigation, improved police service, institution of state scholarships for industrial education abroad, the establishment of Agricultural College at Pusa, and the encouragement of Cooperative Credit Societies, he pointed out in his budget speech of 1904 that all these and other similar measures would, no doubt, require a large outlay of public funds. He was, however, convinced that such an increase in public expenditure 'will not only not be grudged, but will be regarded with feelings of sincere satisfaction all over the country.'[147]

It may be of some interest in this respect to take note of the amounts expended by the Government of India on some

145. Wacha, *Speeches*, Appendix p. 31.

146. Resol. III(ii). Similarly, in 1904 the Congress demanded that, till the budgetary surpluses were reduced by giving relief to the tax-payer and thus the direct temptation to increase expenditure was removed from the path of the government, the government should direct part of the surpluses 'to purposes which would benefit the people such as the promotion of scientific, agricultural, and industrial education, and increased facilities of Medical relief' and use the rest of the surpluses in assisting Local and Municipal Boards to undertake 'urgently-needed measures of sanitary reform and the improvements of means of communication in the interior'. Resol. VIII(c).

147. Gokhale, *Speeches*, p. 92. Also see p. 109. Some other leaders who pointed to the need for increased welfare expenditure were Naoroji, *Speeches*, Appendix p. 25; S. N. Banerjea, *S and W*, Appendix pp. 22-5; G. S. Iyer, *Welby Commission*, Vol. III, Q. 19002.

of its welfare departments in two selected years.[148]

	1885	1898	
Education	1.04 crores	1.37 crores	
Scientific Departments	.40 „	.45 „	
Medicine and Public Health	.69 „	1.53 „	
Law and Justice	2.77 „	3.43 „	
Irrigation	.79 „	—.2 „	(net revenue)
Police	2.5 „	3.8 „	

More than any other sphere of welfare activity the Indian leaders wanted education to be adequately financed. This was because of their well-known belief that modern education represented one of the chief instruments of national regeneration—a belief that had been fostered and encouraged for years by government spokesmen. First of all, the national leaders opposed all attempts to reduce expenditure on education in general, and on higher education in particular.[149] It is of some interest to note that Pherozeshah Mehta, who was the most vehement critic of any reduction in or restriction of expenditure on higher education, ascribed the desire on the part of the rulers of the country to check the spread of higher education in India to their jealousy of the newly educated Indians. 'It is very well to talk of "raising the subject to the pedestal of the rulers",' he remarked, 'but when the subject begins to press close at your heels, human nature is after all weak, and the personal experience is so intensely disagreeable that the temptation to kick back is almost irresistible.'[150]

148. Vakil, *op. cit.*, pp. 158-67, 555-6, 56b.

149. Resols. VIII, XII, XV and XX of INC for 1891, 1892, 1893, and 1894; K. T. Telang, Minute to the *Report of the Indian Education Commission*, 1883, p. 609, and *Rep. INC for 1888*, p. 152; Ranade, 'Memorandum of Dissent', *Report of the Finance Committee*, 1886, Vol. I, p. 411; *ABP*, 21 May 1885, 26 July 1888; *Sahachar*, 2 Sept., *Surabhi*, 8 Sept. (*RNPBeng.*, 12 Sept. 1885); *Charu Varta*, 7 Sept., *Pataka*, 11 Sept. (*ibid.*, 19 Sept. 1885); *Som Prakash*, 28 Sept. (*ibid.*, 3 Oct. 1885); *Surabhi-o-Pataka*, 10 June (*ibid.*, 19 June 1886); comments on the Government of India's Resolution on Education of 1888 in the Bengal and Bombay newspapers as reported in the respective Reports on the Native Press of July and Aug. 1888; H. C. Mitra, *Rep. INC for 1891*, p. 49; P. Mehta, *Speeches*, pp. 331-5, 339-55, 502-04, 508; B.N. Seal, *Rep INC for 1892*, pp. 87-8; W.C. Bonnerjea in *CPA*, p. 130; Gokhale, *Speeches*, pp. 56-7, 1193.

150. P. Mehta, *Speeches*, p. 334. On another occasion, he said that to many critics of higher education in India 'every Indian College is a nursery for hatching broods of vipers; the less, therefore, the better' (*ibid.*, p. 348).

Secondly, over the years and almost continuously the Indian leaders pressed for a large increase in public expenditure on education. This was, for example, a demand that was almost religiously made year after year by the Indian National Congress from 1888 onwards.[151] At its Lahore session of 1893, it also asked for reduction and remission of fees in case of poor students in government schools and colleges.[152] Similarly, in 1895, it opposed the proposal to increase fees in educational institutions wholly or partially supported by the State.[153] In 1904, the Congress put forward the radical demand that the government should 'make a beginning in the direction of free and compulsory education'.[154] Many other national leaders raised the demand for higher expenditure on education, criticising at the same time the paltriness of the state grant to education in India in comparison with the state expenditure on education in other countries and in contrast with the military expenditure of India itself.[155]

151. Resol. IX of 1888, and so on.

152. Resol. XII. Also see Telang, Minute to the *Report of the Indian Education Commission*, 1883, p. 614.

153. Resol. XX. Objecting to the educational reforms of 1903, Lal Mohan Ghose, President of the Congress in 1903, declared: 'We do not want difficulties to be put in the way of our poorer students.... We do not want the aristocratic standard of Eton and Oxford to be established in this poor country' (CPA, p. 777). Also see Telang, *loc. cit.*, pp. 606-08.

154. Resol. II. At the same time, in its third Resolution, the Congress proferred spread of education as one of the remedies for the poverty of the country. Lal Mohan Ghose had in his Presidential Address put in a strong plea for compulsory free education of the masses (CPA, pp. 777-9). Also see G. S. Iyer, *Welby Commission*, Vol. III, Q. 19685.

155. Joshi, *op. cit.*, pp. 222, 826, 1076, 1086-7, 1090 ff.; Telang, *Rep INC for* 1888, p. 152; G. S. Iyer, *ibid.*, pp. 153-4; H. C. Mitra, *Rep. INC for* 1891, pp. 49-50; B. N. Seal, *Rep. INC for* 1892, pp. 87-95; H. C. Mitra, *ibid.*, pp. 95-6; S. N. Banerjea in CPA, pp. 290-1, S *and* W, Appendix pp. 22-4; Wacha, *Speeches*, Appendix pp. 28-9, in CPA, pp. 584, 619; Malaviya, *Speeches*, pp. 295, 359-68; P. Mehta, *Speeches*, pp. 352-3, 457-8; B. G. Tilak, *Proceedings of the Council of the Governor of Bombay*, 1896, Vol XXXIV, pp. 115-9; L. M. Ghose in CPA, pp. 777-9. For *newspaper opinion see, for example, Indu Prakash*, 26 March (RNPBom., 31 March 1883); *Navavibhakar*, 1 March (RNPBeng., 6 March 1886); *Hitavadi*, 24 Dec. 1898 (RNPBeng., 1 Jan. 1899); *Swadesamitran*, 15 Sept. (RNPM, 20 Sept. 1902); *Kesari*, 31 March (RNPBom., 4 Apr. 1903). A typical comment in this respect was that of the *Kaiser-e-Hind* of 20 Sept. 1896. Pointing out that for 1896-7 the budget estimate for net expenditure on education was Rs. 6,319,000 and

We might briefly examine the views of G. K. Gokhale, who made the cause of education, particularly of primary education or education of the masses, his own throughout his life. At the very threshold of his public carrer he took up this cause and at the 1891 session of the Indian National Congress remonstrated against the paucity of resources devoted to education. He pointed out that, while even in the most backward country of Europe 6.5 per cent of the public revenues went towards the expenditure on education, in India the proportion was only one per cent. This was, moreover, even less than what was spent on education in India itself twenty years back, when this proportion was 1.4 per cent.[156] Before the Welby Commission in 1897, he branded the meagreness of expenditure on education as 'one of gravest blots on the administration of Indian expenditure', and said that no words could be strong enough in condemning this neglect by the government of 'a sacred duty'. Contrasting the growth of expenditure on education in Great Britain with that in India, he remarked that there was 'all the difference between children and step-children'. In particular he took the administration to task for the utter absence of proper facilities for primary education in the country.[157] He reiterated these views in the Bombay Legislative Council in his speech on the budget of 1901.[158] During his famous annual budget speeches in the Imperial Legislative Council, Gokhale continuously and vigo-

revenue from excise duty on liquors and drugs was Rs. 5½ crores, it remarked: 'They are too eager to make India drunk... but seem to be far from eager to spread as widely the light of knowledge.... They have not the heart to spend more than 1/11th portion of their *abkari* revenue to make 95 persons in every 100 learn their very alphabet! What a commentary on the spread of civilisation in India after 150 years of British rule' (*RNPBom.*, 26 Sept. 1896). For technical education, see Chapter II.

156. *Rep.* INC *for* 1891, p. 51.

157. Gokhale, *Speeches*, pp. 192-3, 1200.

158. Pleading for a larger provision for primary education and asking the Bombay Government to fix a certain proportion of total provincial revenue for the purpose, Gokhale dilated at length on the advantages of primary education and said: 'It means for the bulk of community a higher level of intelligence, a greater aptitude for skilled labour, and a higher capacity for discriminating between right and wrong' (*Proceedings of the Council of the Governor of Bombay*, 1901, Vol. XXXIX, pp. 250-1).

rously espoused the cause of education in general and primary education in particular. Thus, pleading for a 25-year scheme of mass education, he said in 1903 that what the country needed most urgently was 'first of all primary schools for the masses'. In his zeal for the spread of education he even went counter to his own and the rest of national leadership's belief in the further decentralisation of administration, and demanded that education should be taken off the provincial list and made a central charge so that 'the same attention which is at present bestowed by the Supreme Government on matters connected with the Army Services and Railway expansion might also be bestowed on the education of our people'. In fact, so deep was Gokhale's love for education that in order to promote it he broke another nationalist taboo by advocating the payment of higher salaries to qualified Englishmen to attract them as teachers in Indian universities.[159] He made the concrete proposal in this context that 'henceforth, whenever there is a surplus, it should be appropriated to the work of promoting the educational and industrial interests of the country'.[160]

It may be pointed out here that while the Indian leaders went much farther than the government in wholeheartedly championing the cause of primary and technical education, they took strong objection to any attempt on the part of the latter to utilise the propagation of primary and technical education as an excuse to strike at liberal higher education which, they felt, was equally needed for the political, social and economic uplift of the country and without which no progress could be made even in the other two fields of education.[161]

159. Gokhale, *Speeches*, pp. 55-62. Also see pp. 25-6, 43-4, 95-6.

160. *Ibid.*, p. 61.

161. Telang, Minute to the *Report of the Indian Education Commission*, 1883, p. 609; *Bengalee*, 17 Apr. 1886; *Mahratta*, 1 Aug. 1886; editorial summary of Indian press opinion, VOI, Aug. 1886; *Indian Nation*, 2 Aug., *Indian Mirror*, 8 Aug., *Tribune*, 14 Aug., *Behar Herald*, 17 Aug. (VOI, Aug. 1880); *Bharat Mihir*, 8 Apr., *Navavibhakar*, 12 Apr. (RNPBeng., 17 Apr. 1886); *Bharat Mihir*, 15 Apr., *Sahachar*, 14 Apr. (*ibid.*, 24 Apr. 1886); *Sadharani* and *Dacca Prakash* of 25 Apr. (*ibid.*, 1 May 1886); *Surabhi-o-*

Apart from education, the Indian leaders desired increasing outlays of public money on industrialisation of the country,[162] irrigation,[163] agricultural development and provision of agricultural banks to relieve rural indebtedness,[164] medical and sanitary facilities,[165] and administrative reforms such as the separation of executive from judicial functions[166] and improvement of the police system.[167]

The nationalist leaders were often chided by the authorities for putting forward in the same breath the mutually contradictory demands for reduction of expenditure and taxation and increase in expenditure on their pet welfare schemes. Thus, for example, James Westland, Finance Member, waxed sarcastic in 1894 over 'the case of the Native gentlemen interested in politics who met at Christmas at Lahore (Indian National Congress) to show us how we ought to govern India', and poured ridicule over them for proposing as 'the contribution of their united wisdom' sweeping reduction of revenue and large increase of expenditure at one and the same time.[168]

Pataka, 12 May (*ibid.*, 22 May 1886); *Bharatbasi*, 14 Sept., *Navavibhakar Sadharani*, 6 Sept. (*ibid.*, 11 Sept. 1886); W. C. Bonnerjea in *CPA*, p. 130; P. Mehta, *Speeches*, pp. 334, 349-51, 506-08; H. C. Mitra, *Rep. INC for* 1891, pp. 49-50; B. N. Seal, *Rep. INC for* 1892, pp. 87-90; H. C. Mitra, *ibid.*, p. 96; S. N. Banerjea in *CPA*, pp. 291-2; Wacha in *CPA*, p. 628.

162. See Chapter III.

163. See Chapter V.

164. See Chapter X.

165. Joshi, *op. cit.*, p. 64; *Navavibhakar*, 1 March (*RNPBeng.*, 6 March 1886); f.n.'s 143 and 145 above; Malaviya, *Speeches*, pp. 368-76; Resol. VIII(c) of INC for 1904.

166. Resols. XI, III, III, III, XII, IV, and XIII of INC for 1886, 1887, 1888, 1892, 1894, 1901, and 1904 respectively; P. Mehta, *Speeches*, p. 457; Joshi, *op. cit.*, pp. 154, 222; A. M. Bose in *CPA*, pp. 447-8; Wacha in *CPA*, p. 619; S. N. Banerjea in *CPA*, pp. 717-8.

167. Joshi, *op. cit.*, p. 222; P. Mehta, *Speeches*, p. 457; A. M. Bose in *CPA*, pp. 450-2; Wacha in *CPA*, p. 619; S. N. Banerjea in *CPA*, pp. 719-21; Bishambhar Nath, *LCP*, 1897, Vol. XXXVI, p. 183; Gokhale, *Speeches*, pp. 91-2, 95. It has already been pointed out above that the Indian leaders pleaded for an increase in the salary of the lower-grade employees of the police in order to improve the efficiency and integrity of the police system.

168. *LCP*, 1894, Vol. XXXIII. p. 306. Similarly, another Finance Member, E. Law remarked: 'The Hon'ble Mr Gokhale is one of the multitude who stand at the door of the treasury and cry "Give! Give!" But not only does he desire increased expenditure, he is most anxious to abolish such taxes as

The nationalist reply to this criticism was disarmingly simple; taxation could be reduced and welfare expenditure increased simultaneously if the overgrown military and administrative expenditure was curtailed. Thus, replying to Westland's chiding, in an equally ironical vein, Pherozeshah Mehta denied that the leaders of the Congress were 'altogether devoid of logic and sense in their suggestions' even though 'they could not, of course, 'bear comparison with members of the most distinguished service in the world', and asserted that it was not 'very difficult to understand that, if you economise in the right direction, you can reduce revenue and increase expenditure in others'. He then went on to summarise the entire nationalist position rgarding taxation and expenditure in the following words:

> If you could reduce your military expenditure to reasonable proportions, if you could steady your 'forward' policy so as not to lead to incessant costly expeditions, if you could get your inflated Army Home Estimates moderated, if you could devise ways by which the huge burdens of salaries and pensions could be lightened, then it is not chimerical to imagine that you could improve your judicial machinery, strengthen your police, develop a sounder system of education, cover the country with useful public works and railways, undertake larger sanitary measures, cheapen the post and telegraph, and still be in a position to relieve small incomes, to press less heavily on the land, to give the cultivators breathing time, and to reduce the salt tax.[169]

already exist...' (*LCP*, 1904, Vol. XLIII, p. 539). Also see Curzon, *Speeches* II, p. 464.

169. P. Mehta, *Speeches*, pp. 457-8. Earlier in 1893, he had illustrated the same sentiment with an interesting anecdote that would bear reproduction. Referring to the official desire to transfer public funds from higher to primary education, he said he was reminded of '...the amiable and well-meaning father of a somewhat numerous family, addicted unfortunately to slipping off a little too often of an evening to the house over the way, who, when the mother appealed to him to do something for the education of the grown-up boys, begged of her with tears in his eyes to consider if her request was not unreasonable, when there was not even enough food and clothes for the younger children. The poor woman could not gainsay the fact, with the hungry eyes staring before her; but she could not help bitterly reflecting that the children could have food and clothes, and education to boot, if the kindly faher could be induced to be good enough to

This argument was repeated by A. M. Bose in 1898[170] and G. K. Gokhale in 1902 and 1905.[171] Moreover, this line of approach underlay the nationalist argument that increasing military expenditure was the principal obstacle in the way of all other domestic reforms.

Some of the Indian leaders went one step further and declared that even the existing level of taxation would be tolerable if its proceeds were to be used more largely than before for purposes of domestic improvement.[172] The unusually far-sighted G. V. Joshi even promised support to further taxation if levied specially for productive purposes. Thus, in 1885, he asked Indians to submit to new taxation with 'cheerful readiness' if the purpose was to aid India's industrial effort.[173] Similarly, in 1893 he pleaded for the initiation of a large-scale programme of agricultural education even if it had to be financed 'by resort to special taxation'.[174] G. K. Gokhale also made a somewhat similar suggestion before the Welby Com-

spend a little less on drink and cards. Similarly, gentlemen, when we are reminded of the crying wants of the poor masses for sanitation and pure water and medical relief and primary education, might we not respectfully venture to submit that there would be funds, and to spare, for all these things, and higher education too, if the enormous and growing resources of the country were not ruthlessly squandered on a variety of whims and luxuries, on costly residences and sumptuous furniture, on summer trips to the hills, on little holiday excursions to the frontiers, but above and beyond all, on the lavish and insatiable humours of an irresponsible military policy, enforced by the very men whose view and opinions of its necessity cannot but accommodate themselves to their own interests and ambitions...' (*ibid.*, p. 350).

170. A. M. Bose in *CPA*, pp. 427, 448.

171. Gokhale, *Speeches*, pp. 26-8, and 109 respectively. Also see D. E. Wacha, *Rep. INC for 1891*, p. 25; *Indian Advocate*, 18 Aug. (*RNPUP*, 27 Aug. 1904).

172. B. G. Tilak, *Proceedings of the Council of the Governor of Bombay*, 1895, Vol. XXXIII; p. 91; Gokhale, *Speeches*, p. 61; Resol. VIII of INC for 1904; Gokhale, *Rep. INC for 1904*, p. 169. The *Mahratta* of 29 May 1904 opposed any suggestion for the abolition of the income tax and proposed that instead its proceeds should be taken in trust and spent on education. Earlier, on 3 August 1900, the *Amrita Bazar Patrika* had opined that in itself high land revenue would have been even beneficial to the peasantry if it had been spent on agricultural improvements, sanitation, rural education, etc.

173. Joshi, *op. cit.*, p. 751.

174. *Ibid.*, p. 1088.

mission that the local bodies should be empowered to levy a special cess for the spread of primary education.[175] G. Subramaniya Iyer too informed the Commission that he would even 'advocate' an increase in taxation for the sake of education.[176]

VIII. POPULAR INDIAN CONTROL OVER THE PUBLIC PURSE

During its examination of the financial policy of the Government of India the Indian leadership was inexorably and inevitably led to demand popular Indian control over the public purse. If taxation in India was oppressively high and expenditure was extravagant, obviously one of the factors responsible for the situation was the existing constitutional machinery of financial control which failed to perform its duties satisfactorily. Prior to 1892, the Imperial Legislative Council of India had virtually nothing to do with the budget. Under the Indian Councils Act of 1892 the budget had to be explained in the Council and the members were permitted to express their opinions on it; they had, however, no right to propose any motion on it or to divide the Council in respect of it. The supreme control over Indian finances was exercised by the British Parliament, to whom the Government of India was responsible through the intermediation of the Secretary of State in Council.[177]

The national leaders declared the existing machinery of financial control to be completely defective. It had, they said, proved itself incapable of exercising effective control over the spending and taxing proclivities of the executive organs of the government; it had failed in safeguarding the people against extravagance and waste, improper diversion and misuse of resources, and oppressive taxation. Thus, in his evidence before the Welby Commission, G. K. Gokhale, after pointing out that the interests of British supremacy in India, British expansion in Asia, British Civil and Military Services, and British commerce and capital were often given precedence over Indian

175. Gokhale, *Speeches*, p. 1200.
176. *Welby Commission*, Vol. III, Q. 19686.
177. C. N. Vakil, *op. cit.*, Chapter I.

interests in the management of Indian finances, remarked:

> The frequent subordination of the interests of the Indian tax-payers to these other interests makes it all the more imperative that the machinery of constitutional control should provide adequate safeguards for a just and economical administration of the Indian expenditure, and yet, I fear, nowhere are the safeguards more illusory than in our case.[178]

The Indian leaders asserted that Parliament, which was under the existing constitution the supreme guardian of the interests of the Indian tax-payers, had failed to discharge its duties properly or sincerely. The Indian budget was presented to it at the fag end of the session before empty benches and was passed, without any serious debate or scrutiny, by a few tired and jaded members. Moreover, the party system assured the Secretary of State a safe majority.[179] Within India itself, complained the Indian leaders, there was no adequate system of financial checks and balances; instead there existed a built-in system of extravagance. But for the Finance Department, the Government of India consisted almost entirely of spending departments.[180] The Imperial Legislative Council was of course there, but it was impotent where financial matters were concerned; its members could only make speeches, they could in no way censure the government or even bring their disapproval to bear upon it. Consequently, the budget discussions were life-

178. Gokhale, *Speeches*, pp. 1156-7. Also see *ibid.*, pp. 21, 1159-60; Naoroji in *CPA*, pp. 155-6, *Speeches*, p. 300; Joshi, *op. cit.*, pp. 203, 207, 220-1, 229-30. S. N. Banerjea, *S and W*, Appendix pp. 2-3: Wacha, *Speeches*, Appendix pp. 3-4, in *CPA*, p. 620; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18559; Malaviya, *Speeches*, pp. 287-90; C. Sankaran Nair in *CPA*, p. 385; Dutt, *EHI*, p. xv, and *EHII*, pp. 386-7.

179. Resols. IX and III of INC for 1889 and 1890 respectively; P. Mehta in *CPA*, p. 90; Naoroji, *Speeches*, pp. 107-08, in *CPA*, p. 156; Malaviya, *Speeches*, pp. 17-29, 46, 216-7; Gokhale, *Speeches*, pp. 1158, 1160-1; S. N. Banerjea, *S and W*, Appendix p. 3; G. S. Iyer, *Rep. INC for 1894*, p. 77, *Welby Commission*, Vol. III, Qs. 18559, 18765, 18769; H. N. Dutt, *Rep. INC for 1897*, p. 44.

180. Gokhale, *Speeches*, p. 1161; Malaviya, *Speeches*, p. 287; Dutt, *EHI*, p. xv, *EHII*, pp. xviii, 360.

less and at the most of academic interest.[181]

According to the national leadership, at the root of the unsatisfactory character of the existing machinery of financial control lay the complete absence of popular Indian element in this machinery. Thus the Indian National Congress of 1891 asserted that the increasing poverty of the people was largely due, among other causes, to 'the exclusion of the people of India from a due participation in the administration, and all control over the finances, of their own country'.[182] Similarly, in his Presidential Address to the Congress of 1901, D. E. Wacha stressed that unfortunately Indians had 'no voice in the expenditure and taxation of the country', otherwise they would show 'how with a minimum of taxation, the maximum of economy and efficiency may be established'.[183] In his *Economic History of India in the Victorian Age*, R. C. Dutt concluded his long examination of public finance and the proceedings of the Welby Commission with the complaint that 'in the absence of this popular element in the Indian administration, all the influences at work make for increased taxation and increased expenditure, and for the sacrifice of Indian revenues on objects which are not purely Indian'.[184]

181. For example, V. K. Iyer claimed at the 20th session of the Indian National Congress that the power, conferred in 1892, of discussing the Budget at the meetings of the Council, was 'really a fiction and a farce' because the speeches delivered there hardly produced any effect upon the policy and administration of the govrnment. He further remarked: 'The Budget was previously made, all points were previously settled, and the additional members of the Council were there to express their opinions and read their essays previously prepared' (*Rep. INC for 1904*, p. 181). Also see Naoroji in CPA, pp. 154-5, *Speeches*, p. 245, *Poverty*, pp. 637-8; S. N. Banerjea in CPA, p. 236, *S and W*, Appendix p. 3; R. M. Sayani in CPA, p. 369; Gokhale, *Speeches*, pp. 1158, 1161; Wacha, *Speeches*, Appendix p. 3; Malaviya, *Speeches*, p. 50.

182. Resol. III.

183. CPA, p. 620.

184. P. 601. He also complained that 'Every great interest, every section of British subjects, can bring pressure to bear on the Indian Government—except only the people of India' (p. 598). Also see his *EHI*, p. xv, *EHII*, p. 387, *Speeches I*, p. 41; Naoroji, *Speeches*, pp. 108, 131, 222, 245, 300, 356, *Poverty*, pp. 638-9, in CPA, pp. 172-3; Joshi, *op. cit.*, p. 220; Gokhale, *Speeches*, pp. 8, 1156, 1158-9, 1161, 1169; Malaviya, *Speeches*, p. 287; R. M. Sayani in CPA, p. 357.

The very nature of the diagnosis suggested the remedies. As far as the toning up of the machinery of control in England was concerned, the obvious need was to make more effective the slack parliamentary control. In this respect the most important Indian demand was for the appointment every year of a Select Committee of the House of Commons to inquire into and report upon the financial condition of India.[185] Another proposal was for the resumption of the pre-1858 practice of holding periodical parliamentary enquiries into Indian affairs.[186] In addition to these, G. K. Gokhale suggested in 1897 that the Indian provinces might be given direct representation in Parliament to represent Indian public opinion.[187] Another nationalist proposal in this context was that a sufficient number of representative and qualified Indians, to be elected by the Provincial and the Imperial Legislative Councils, should be appointed to the Council of the Secretary of State.[188]

All these remedies were, however, in the nature of palliatives. As a cure for the financial ills of India, the national leaders brought to the fore the much more important demand that the public purse should be brought under effective popular Indian control. This was the only way of ensuring that finances would be stabilised and revenues would be raised and spent according to the wishes of the people and in their interests. This demand was sometimes put in a general form when it took on quite radical hues. Thus, addressing the First Indian National Congress, Dadabhai Naoroji emphasised that 'representation must

185. Naoroji, *Speeches*, p. 108; Resols. III, IV, and III(i) of INC for 1885, 1886, and 1897 respectively; Gokhale, *Speeches*, p. 1162; Wacha, *Speeches*, Appendix p. 5; S. N. Banerjea, *S and W*, Appendix pp. 3, 6; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18767, 18834, 18847.

186. S. N. Banerjea, *S and W*, Appendix pp. 5-6.

187. Gokhale, *Speeches*, p. 1163. The demand was repeated in a wider context by the Indian National Congress in 1904, Resol. IX(a). Also see *Indu Prakash*, 4 June (*RNPBom.*, 9 June 1883).

188. Wacha, *Speeches*, Appendix p. 34; S. N. Banerjea, *S and W*, Appendix pp. 5-6; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18767; Resol. III(i) of INC for 1897. R. C. Dutt raised the demand in 1903 but without the elective principle (*EHII*, p. 600), and the Indian National Congress in 1904 in the context of wider administrative reforms (Resol. IX). Also see Dutt, *Speeches I*, p. 98.

go with taxation', and declared: 'Our first reform should be the power to tax ourselves'.[189] Similarly, the *Amrita Bazar Patrika* of 16 September 1886 boldly demanded that 'the people of the soil must be allowed to make their own laws, fix their own taxes, and adjust their own finances', and frankly stated that 'it is some sort of Home Rule for India, which can alone secure it permanently to England'. A similar demand for self-government was made in a more self-reliant tone by the *Hindustan Review and Kayastha Samachar* of July 1902.[190] Many other Indian leaders put in pleas with varying degrees of forcefulness for granting Indians the right of managing their own revenues.[191]

Most of the nationalist leaders, however, took a more constructive' approach and advanced concrete proposals for increasing popular Indian control over the management of public finances.

189. Naoroji, *Speeches*, p. 105. Fully conscious of the great historical importance of this first real all-India gathering of the rising generation of Indian leaders, Dadabhai set forth the long term goals of the coming nationalist effort: 'I may here remark, that the chief work of this, the first National Congress of India is to enunciate clearly and boldly our highest and ultimate wishes. Whether we get them or not immediately, let our rulers know what our highest aspirations are.... If, then, we lay down clearly that we desire to have the actual Government of India transferred from England to India under the simple controlling power of the Standing Committee, and that we further desire *that taxation and legislation shall be imposed here by representative Councils, we say what we are aiming at* (Emphasis added) (*ibid.*, p. 109). Also see *ibid.*, pp. 222, 360, Appendix pp. 10, 108ff and letter to D. E. Wacha in 1897, quoted in Masani, *op. cit.*, p. 379.

190. *RNPUP*, 23 Aug. 1902. Strongly condemning the imposition on India of the cost of the Indian guests at the Coronation in England and bewailing the fact that 'the times are out of joint for poor India', it manfully declared, 'and they shall so remain until her sons can assert their rights and can prove their stamina to hold their own, like the colonials. Until then it is useless to expect at the hands of the British Government, any financial justice, not to talk of generosity.'

191. See, for instance, *Sahachar*, 26 Jan. (*RNPBeng.*, 7 Feb. 1880); *Sanjivani*, 9 June (*ibid.*, 16 June 1883); *Navavibhakar*, 29 March (*ibid.*, 3 Apr. 1886); Memorandum of the Madras Mahajan Sabha, *Report of the Finance Committee*, 1886, Vol. II, p. 453; Malaviya, *Speeches*, p. 7; W. C. Bonnorjea in *Eminent Indians*, p. 29; *Mahratta*, 1 Apr. 1894; *Gujarati*, 24 March (*RNPBom.*, 30 March 1895); *Janopakari*, 16 June (*RNPM*, 30 June 1896); *Hindustan*, 28 Dec. (*RNPN*, 29 Dec. 1897); Dutt in *Indian Politics*, p. 51, *Famines in India*, p. xx, *EHI*, p. 408, and *EHII*, pp. xvii-xviii, 380-1, 387, 599-601; S. N. Banerjea, *Speeches III*, pp. 136, 145, 159, in *CPA*, pp. 710-1; *Bengalee*, 22 July 1903.

They did not press for the principle of ' no taxation without representation' in these practical proposals and showed willingness to settle for much less.[192] In the main they asked for the reform of the existing Imperial and Provincial Legislative Councils so as to provide for an increase in their powers and for wider popular Indian participation in them. It should be kept in view in this respect that the demand for the reform of the Legislative Councils was made on numerous political and economic grounds. However, we are here concerned only with those instances in which this demand was put forward on financial grounds.

Before 1892, the demand for legislative control over public finance was advanced in a rather vague and timid sort of manner. Thus, in 1885, the Indian National Congress asked that all budgets should be 'referred' to the reformed and more representative Legislative Councils.[193] Next year, the Congress drew up a detailed scheme for the reform of the Councils and demanded that all financial questions, including all budgets, should be 'submitted to and dealt with' by these Councils'.[194] This demand was reiterated in 1887, 1888, and 1889.[195] It may be noted that terms like 'referring', 'submitting', and 'dealing with' were quite nebulous and though quite suggestive did not yet connote, at least directly, popular control. Other Indian leaders, who put forward the financial argument in favour of the reform of the Legislative Councils, were usually no less vague and timid about the nature and extent of control that the Councils would exercise in financial matters.[196]

192. Surendranath Banerjea, for example, frankly stated in his Congress Presidential Address of 1895 that, while 'no taxation without representation is the theory of modern civilised government', the Congress did not ask the government 'to embody this principle in the administration of the country'. He pointed out to the Congress delegates that 'politics is a practical art, and it cannot deal with principles in abstract' (*CPA*, pp. 236-7).

193. Resol. III.

194. Resol. IV.

195. Resols. II, I, and II and III respectively.

196. For example, addressing the Indian National Congress of 1887, Madan Mohan Malaviya pleaded: 'We say, we entreat you in all fairness to allow us some control over our Budget, to put us in a position to say something

The nationalist demand took a more concrete shape after 1892 when the Imperial and Provincial Legislative Councils were reconstituted with increased representation for Indians and partial introduction of the elective principle. They now started pressing for the demand that the non-official members should be permitted to bring forward motions and to divide the Councils on financial matters.[197] At the same time, having put forth this, on the whole, revolutionary demand, many of them felt it necessary to refute the suggestion that they desired control over the government. They pointed out that, since the reformed Councils would have a clear-cut official majority, which most of them did not in any case desire to turn into a minority, the government need have no fear of being faced with an adverse vote on any issue.[198] Moreover, they willingly accepted the principle of the executive in India and England possessing the ultimate power to veto any decision taken by the Councils.[199] Surprisingly enough, G. K. Gokhale went even to the extent of acknowledging before the Welby Commission that large questions of policy could be 'discussed and settled with advantage' only in England.[200] These Indian leaders thus emasculated their potentially farreaching demand and, at the same time, openly reduced it to a pressure tactic by maintaining that the chief effect of the reform suggested by them would be not the political

through our representatives about it when it is brought into the Council' (*Speeches*, p. 20). Also see, *Indian Spectator*, 6 March, *Indu Prakash*, 7 March (RNPBom., 12 March 1881); *Native Opinion*, 13 March (*ibid.*, 19 March 1881); S. N. Banerjea, *Speeches III*, pp. 9, 26, 34, 38; Naoroji, *Speeches*, pp. 109-10; *Som Prakash*, 24 Jan. (RNPBeng., 29 Jan. 1887).

197. S. N. Banerjea in CPA, p. 236, and *S and W*, Appendix pp. 4-6; R. M. Sayani in CPA, p. 369; Wacha, *Speeches*, Appendix pp. 3-5; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18765, 18767, 18873-4; Resol. III(i) of INC for 1897; C. Sankaran Nair in CPA, p. 386; Malaviya, *Speeches*, pp. 292-3; Resol. IX of INC for 1904.

198. S. N. Banerjea in CPA, pp. 236-7, *S and W*, Appendix pp. 4-5; R. M. Sayani in CPA, p. 369; Gokhale, *Speeches*, p. 1161; Wacha, *Speeches*, Appendix p. 4; C. Sankaran Nair in CPA, p. 386; H. N. Dutt, *Rep. INC for 1897*, p. 44; Malaviya, *Speeches*, p. 293.

109. S. N. Banerjea in CPA, p. 237, *S and W*, Appendix p. 5; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18767, 18875; Resol. IX of INC for 1904. Also see Naoroji, *Speeches*, p. 106.

200. Gokhale, *Speeches*, p. 1161.

one of destroying or even weakening the authority of the British executive in India but an entirely moral one in so far as whenever the majority of non-official members voted against or for the government, the British public and the authorities would come to know the real state of public opinion in India.[201] This shying away on the part of these leaders from the full implication of their own plea for legislative control over public finances was perhaps in part prompted by the desire to sugar-coat the obviously bitter pill. It is, however, much more likely that it was mainly the product of their belief in step by step progress.

201. *Ibid.*; S. N. Banerjea, *S and W*, Appendix p. 5; Malaviya, *Speeches*, pp. 293-4; H. N. Dutt, *Rep. INC for 1897*, p. 44.

CHAPTER XIII

The Drain

> The romance is the beneficence of the British Rule, the reality is the 'bleeding' of the British Rule.
>
> Without self-government the Indians can never get rid of their present drain.... No palliative of any kind whatever, no mere alteration and tinkering of the mechanical machinery of administration, can and will do any good at all.
>
> — DADABHAI NAOROJI

In the opinion of the Indian national leadership one of the most important causes of the poverty in India was the drain of wealth to England. According to one section of the leadership this drain was the very fountainhead of all economic evil in India. In fact, a great deal of the nationalist agitation during the period under study was based on the 'drain theory' or the belief that a part of India's national wealth or total annual product was being exported to England for which India got no adequate economic or material returns. Or, in other words, India was being compelled to pay an indirect tribute to the English nation. Slowly, over the years, the drain theory acquired such wide popularity and influence over the mass mind in the country that several British spokesmen and writers felt compelled to make almost herculean attempts to prove that the entire theory was economically fallacious.

The acknowledged theoretician—the high-priest—of the drain theory was Dadabhai Naoroji who hammered at it, day in and day out, with rare determination throughout his long public life. The intricacies of the theory were perforce worked out by only a few, but in its broad outline it was given credence to and propagated by a host of others. Dadabhai started the

hare in 1867, which slowly gathered speed and support, and reached the climax and found near-universal acceptance among the nationalists with the publication of his *Poverty and Un-British Rule in India*, Digby's *'Prosperous' British India*, and Dutt's two-volume *Economic History of India*. In the present work we will rely primarily on the speeches and writings of Dadabhai Naoroji for presenting a detailed economic analysis of the drain theory as believed in and propagated by the national leadership of the period under review.

It was in his paper 'England's Debt to India',[1] read before a meeting of the East India Association, London, on 2 May 1867, that Dadabhai Naoroji first put forward the idea that Britain was extracting wealth from India 'as the price of her rule in India', that 'out of the revenues raised in India, nearly one-fourth goes clean out of the country, and is added to the resources of England', and that India was consequently 'being continuously bled'.[2] He quoted from the *Native Opinion* and the *Rastgoftar*, two of the leading newspapers of Bombay, to show that his opinion was shared by the rising generation of educated Indians.[3] At the same time, and as a remedy for the poor economic conditions prevailing in the country, he suggested that 'the least that the British people can do is to lend back to India the wealth derived therefrom, in order to *develop its resources*'.[4] Dadabhai reiterated his views regarding 'the material and moral drain' from India in his papers 'The Wants and

1. Naoroji, *Essays*, pp. 26-50.

2. *Ibid.*, pp. 29-31.

3. *Ibid.*, pp. 32-3. Dadabhai also divulged that more than 20 years earlier 'a small band of Hindu students and thoughtful gentlemen used to meet secretly to discuss the effects of British rule upon India. The home charges, and the transfer of capital from India to England in various shapes, and the exclusion of the children of the country from any share or voice in the administration of their own country, formed the chief burden of complaint' (*ibid.*). As a matter of fact, a complaint against the 'tribute' to England was voiced as early as 1830's by Raja Rammohan Roy (quoted in B. B. Majumdar, *op. cit.*, pp. 71-2).

4. (Emphasis added). Naoroji, *Essays*, p. 39. Also see pp. 40-1. This idea of development of India's resources is to be contrasted with the later assertion of Dadabhai that investment of foreign capital in India represented despoliation.

Means of India'[5] and 'On the Commerce of India',[6] read before the Society of Arts, London, in 1870 and 1871 respectively. However, the revolutionary implications and the original thinking which came to be associated with the drain theory later on were not yet to be found in these papers. At this time, while condemning the economic consequences of the drain, Dadabhai believed in the value of political association between England and India and of the resultant drain. 'If India is to be regenerated by England', he acknowledged, 'India must make up its mind to pay the price'.[7] He, however, advised England to adjust its financial relations with India in an equitable manner,[8] and to increase the production of the country so that it might be enabled to meet the cost of British rule and bear the drain without impoverishment.[9]

While clarifying his attitude towards what he calculated to be the drain of nearly £12 million a year, he observed in 1871: 'I do not mean this as a complaint; *you must have a return for the services rendered to India*, but let us have the means of paying.'[10] In fact, he declared, it was 'the duty of England to give us such a government, and all the benefits of its power and credit, as to enable us to pay, without starving or dying by famine, the tribute or price for the rule'.[11] For increasing the national production of India he once again recommended the use of foreign capital on a large scale. Thus, in 1870, he asked the British to 'repair the impoverishing effect of a foreign rule by the importation of large foreign capital',[12] and expressed the opinion that 'if sufficient foreign capital is brought into the country, and carefully and judiciously laid out. . ., all the present difficulties and discontent will vanish in time'.[13]

In his 'Statement to the Select Committee on East India

5. *Ibid.*, pp. 97-111.
6. *Ibid.*, pp. 112-36.
7. *Ibid.*, p. 123.
8. *Ibid.*
9. *Ibid.*, pp. 98-9, 108, 123.
10. *Ibid.*, pp. 133-4.
11. *Ibid.*, pp. 135-6.
12. *Ibid.*, p. 102.
13. *Ibid.*, p. 106.

Finance' in 1871, Dadabhai once again accepted the necessity for the drain 'as the natural economical result of a foreign rule',[14] and urged the British statesmen to find proper remedies 'so that the burden of the millions and millions that are "year after year drained" from India to England may be reasonably lightened and the ability of the people to meet the legitimate portion of the drain increased to the necessary extent'.[15]

By 1873, when he prepared the first draft of his famous paper on the 'Poverty of India', Dadabhai's views on the drain were beginning to be formulated in their more well-known militant form. By 1876 the drain theory had fully crystallised in his mind and was presented in its entirety, in a revised draft of the 'Poverty of India', before the Bombay Branch of the East India Association. A detailed analysis of the economic and political contents of the theory as put forward by Dadabhai will be made in the pages to follow. Here it may only be pointed out that he concluded his essay with the emphatic statement that: 'Owing to this one unnatural policy of the British rule of ignoring India's interests, and making it the drudge for the benefit of England, the whole rule moves in a wrong, unnatural, and suicidal groove'; and with the warning: 'Nature's laws cannot be trifled with, and so long as they are immutable, every violation of them carries with it its own Nemesis as sure as night follows day.'[16]

From now on Dadabhai literally dedicated his life to propagation of the drain theory and to launching a roaring and raging campaign against the drain, which was declared by him to be the fundamental evil of British rule in India. Through innumerable speeches, letters to British newspapers, articles in

14. Naoroji, *Speeches*, Appendix p. 164.

15. *Ibid.*, Appendix p. 165. At the same time he spoke up against the damaging consequences of the drain: 'So far as my inquiries go at present, the conclusion I draw is, that wherever the East India Company acquired territory, impoverishment followed their steps, and it is only from the time that loans for irrigation and railways and oher public works, and the windfall of the benefits from the American War returned back, as it were, some of the lost blood, that India has a little revived' (Appendix p. 167). Also see Appendix pp. 172, 181.

16. Naoroji, *Poverty*, p. 125.

journals, correspondence with officials, evidence before official commissions and committees, and private correspondence—in fact in every conceivable manner of public communication—he tried to draw and rivet public and official attention on the single question of the drain.[17] Thus, for example, he wrote in 1880 that 'the most important question of the day is, how to stop the bleeding drain from India. *The merit or good of every remedy will depend upon and be tested by its efficacy in stopping this deplorable drain. . . .*'[18] In 1886, summing up his critique of British rule in India, he remarked: 'The short of the whole matter is, that under the present evil and unrighteous administration of Indian expenditure, the romance is the beneficence of the British Rule, the reality is the "bleeding" of the British Rule.'[19] And so he carried on for nearly half a century, striving for the acceptance of his ideas of drain, presenting them, no doubt, sometimes in a crude, but always in an easily graspable, form. As the years went by his passion and anger increased. Unrighteous, despotic, plundering, unnatural, destructive, were some of the adjectives he applied to the British policy which, in his opinion, was leading to the draining of 'the life-blood' of India and its wealth.

Almost simultaneously with Dadabhai Naoroji, two other Indian leaders rose to point out the evils of the drain. Justice Ranade delivered in 1872 a lecture at Poona on Indian trade and industry in which he criticised the drain of capital and resources from India and observed 'that of the national income of India more than one-third was taken away by the British in some

17. In 1901, he brought together his more well-known writings and addresses on the subject in a single volume entitled, *Poverty and Un-British Rule in India*, whose very title epitomised his economic and political outlook. Many of his other writngs, speeches, etc., in almost every one of which he attacked the drain, have been collected in the 1887 edition of his *Essays, Speeches, Addresses, and Writings*, edited by C. L. Parekh and the Natesan edition of his *Speeches and Writings*. An interesting address of his before the International Socialist Congress held at Amesterdam in August 1904 is to be found in the *India* of 2 September 1904.

18. (Emphasis added). Naoroji, *Poverty*, p. 201.

19. Naoroji, *Speeches*, p. 329.

form or other'.[20] Later still, in his pioneering address on 'Indian Political Economy', delivered in 1892, Ranade remarked that to 'old legacies and inherited weaknesses' which acted as depressing influences on economic development 'must be added the economic drain of wealth and talents, which Foreign subjection has entailed on the country'.[21] Bholonath Chandra was the other Indian writer who discussed at length in 1873 the 'yawning gulf' of the drain which was 'widening every year'. In his view the drain began at the time when '"the East India Company kept aside a portion of the Indian Revenue" for their commercial investments'; but since then the situation had become worse. 'Money then poured out through a single channel, but now it pours away through a thousand outlets.'[22]

Another prominent Indian leader who stressed the drain theory and propagated it through his writings and other public activities was R. C. Dutt. Though a late convert to the theory, he made up for the time-lag with the proverbial enthusiasm of a proselyte. In a speech delivered at the Conference of the Committee of the National Liberal Federation in England on 27 February 1901, he declared the drain from India to be 'unexampled in any country on earth at the present day', and asserted that 'if England herself had to send out one half of her annual revenues to be spent annually in Germany or France or Russia, there would be famines in England before long'.[23] In the Preface to the first volume of *The Economic History of India,* he pronounced that one-half of the net revenues 'flows annually out of India', and added mournfully: 'Verily the moisture of India blesses and fertilises other lands.'[24] In the later part of the book he laid the following sin at the head of this drain: 'So great an Economic Drain out of the resources of a land would

20. Pradhan and Bhagwat, *op. cit.,* p. 8. Unfortunately, I failed to trace a copy or report of the lecture. Probably none exists.

21. Ranade, *Essays,* p. 23.

22. *MM,* March 1873, Vol. II, pp. 89-90. Also see pp. 92-3.

23. Dutt, *Speeches II,* p. 21. Also see *England and India,* p. 143, *Speeches I,* p. 93, and *Speeches II,* pp. 27, 47-8, 61, 84.

24. Dutt, *EHI,* p. xiii. Also see p. xii.

impoverish the most prosperous countries on earth; it has reduced India to a land of famines more frequent, more widespread, and more fatal, than any known before in the history of India, or of the world.'[25] Similarly, in the Preface to his second volume he criticised England, 'the richest country on earth', for stooping 'to levy this annual contribution from the poorest', and emphasised that this contribution 'drains the life-blood of India in a continuous, ceaseless flow'.[26]

Many other Indian leaders, including G. V. Joshi, P. C. Ray, Madan Mohan Malaviya, D. E. Wacha, G. K. Gokhale, G. Subramaniya Iyer, and Surendranath Banerjea, joined in the stream of agitation around the question of the drain.[27]

Among the nationalist newspapers, the *Amrita Bazar Patrika* was the doughtiest champion of the drain theory. As early as 28 July 1870, it had put forward the drain as the one cause of India's poverty and then repeated the assertion again and again over the years. For instance, on 14 April 1881, it complained that India was 'sucked in so many different ways, and by so many parties, that they are themselves ignorant of one another's whereabouts and doings, and of the extreme peril to which their patient is subjected by their operations'. And on 2 March 1896 again the statement was repeated that 'By this ceaseless drain India is impoverished, and England enriched. This arrangement reduces India to the condition of a property, and

25. *Ibid.*, p. 420.

26. Dutt, *EHII*, p. xiv. Also see pp. 213, 344, 348, 528-9.

27. Joshi, *op. cit.*, pp. 636-41, 683, 793-4; Ray, *Poverty*, pp. 6-8, 242, 278, 315-20, 328-9, and *Indian Famines*, p. 37; Malaviya, *Speeches*, pp. 232-3, 248-51; Wacha, *Rep. INC* for 1886, p. 62, in *CPA*, pp. 602-07, *Rep. INC* for 1898, p. 104; Gokhale, *Speeches*, pp. 15, 87-8, 908-10; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18963, and *EA*, pp. 59, 125, 128-9, 336-8, 357-8; S. N. Banerjea, in *CPA*, pp. 253-5, 269-70, 637, 708-11; B. M. Malabari, *Indian Problem* (Bombay, 1894), p. 23; Rajnarain Bose, quoted in *Studies in the Bengal Renaissance* (Jaduvpur, 1958), edited by Atulchandra Gupta, p. 209; R. N. Mudholkar in *Indian Politics*, p. 41; A. Nundy in *Indian Politics*, pp. 124-7; Resolution passed by London Indian Society's Conference, 28 December 1897, *India*, 14 Jan. 1898; R. M. Sayani in *CPA*, pp. 351-4, 366; C. Y. Chintamani, *HR*, Jan. 1902, pp. 28-9; M. K. Patel, *Rep. INC* for 1902, p. 762 and *Rep. INC* for 1904, p. 114; L. M. Ghose in *CPA*, pp. 743, 750-3.

the people to the condition of a cattle.'[28] Most of the other prominent Indian newspapers also regularly commented upon, and condemned, the drain of wealth from India.[29]

After several years of cogitation, or perhaps of hesitation, the drain theory was officially adopted by the Indian National Congress at its Calcutta session in 1896 when it proclaimed that the famines in India and 'the great poverty of the people' had been brought on 'by the drain of the wealth of the country which has been going on for years together'.[30] It reaffirmed the charge several times during the following years.[31]

The Indian leaders also cited the drain as marking the difference between the despotic rulers of India in the past and the British rulers, for under the former there was little drain of wealth from the country. The Mughal or the Maratha ruler might plunder his people, but their wealth remained within the country and was spent inside it; individual citizens might suffer or be oppressed and deprived of their wealth but the country as a whole did not lose, the loss of one citizen becom-

28. Also see *ABP* of 6 Feb. 1880; 29 Jan. and 18 June 1885; 22 May 1892; 24 Dec. 1896; 13 Feb. and 7 Apr. 1897; 22 Feb. and 1, 8, and 9 June 1900; 13 Nov. 1901.

29. See, for instance, *Sadharani*, 31 Oct. (*RNPBeng.*, 6 Nov. 1880); *Mahratta*, 6 Feb. and 19 June 1881, and 13 Apr. 1884; *Indian Spectator*, 25 Feb. (*RNPBom.*, 3 March 1883); *Indian Spectator*, 18 May, *Sind Times*, 20 May (*ibid.*, 24 May 1884); *Samaya*, 30 June (*RNPBeng.*, 5 July 1884); *Pratikar*, 22 Aug. (*ibid.*, 6 Sept. 1884); *Saraswat Patra*, 6 Sept. (*ibid.*, 13 Sept. 1884); *Pataka*, 17 July (*ibid.*, 25 July 1885); *Samaya*, 28 June (*ibid.*, 3 July 1886); *Bangabasi*, 7 Aug., *Praja Bandhu*, 6 Aug. (*ibid.*, 14 Aug. 1886); *Indian Spectator*, 5 July 1885; Editorial summary of Indian press opinion, *VOI*, Oct. 1887; *Indu Prakash*, 5 Sept. and *Tribune*, 14 Sept. (*VOI*, Oct. 1887); *Hindu*, 25 June 1894, 7 July 1898; *Bengalee*, 13 March 1897; *Hindustan*, 20 July (*RNPN*, 27 July 1898); *Swadesamitran*, 15 May (*RNPM*, 31 May 1900); *Prabhat*, Dec. 1900, and *Rajhansa*, 2 Jan. (*RNPBom.*, 12 Jan. 1901); *New India*, 16 Sept. 1901; *Qasim-ul-Akhbar*, 11 May (*ibid.*, 16 May 1903); *Hindu Nesan*, 27 May (*ibid.*, 30 May 1903); *Vrittanta Chintamani*, 14 Nov. (*ibid.*, 14 Nov. 1903); *Kesari*, 21 July (*RNPBom.*, 25 July 1903); *Kesari*, 9 May (*ibid.*, 13 May 1905). Some of the pre-1880 newspapers to complain of the drain were *Indu Prakash*, 13 Dec. (*RNPBom.*, 18 Dec. 1875); *Jame-Jamshed*, 23 Aug. (*ibid.*, 26 Aug. 1876); *Shubha Suchak*, 15 June (*ibid.*, 23 June 1877); *Native Opinion*, 30 Dec. 1877 (*ibid.*, 5 Jan. 1878).

30. Resol. XII.

31. Resol. IX, VIII(a), III, and III of INC for 1897, 1901, 1902, and 1904 respectively.

ing ultimately the gain of another. The British, on the other hand, took wealth out of the country and spent it abroad.[32] Similarly, however heavy the burden of taxation under the old rulers, its economic effects were not as disastrous for the people as the effects of perhaps the lighter taxation under the British, a large part of which was drained out.[33] Even when foreign invaders like Nadir Shah came, looted the country and went back immediately thereafter, the loss of wealth was temporary, the blow fell and then came to an end. Moreover, the blows fell irregularly. But in the case of British rule, the drain was a part of the existing system of government and was, therefore, ceaseless and continuous, increasing from year to year. The wounds were thus kept perpetually open and the drain was like a running sore.[34]

I. CALCULATION OF THE DRAIN

As pointed out earlier, basic to the nationalist definition of the drain was the idea of transfer of wealth or commodities from India to England without the former getting back any equiva-

32. Naoroji, *Essays*, pp. 30-1, *Poverty*, pp. 211, 638, and Speech at the International Socialist Congress, *India*, 2 Sept. 1904, p. 116; *ABP*, 28 July 1870; *Jame Jamshed*, 23 Aug. (*RNPBom.*, 23 Aug. 1876); *Shubha Suchak*, 15 June (*ibid.*, 23 June 1877); *Samaya*, 28 June (*RNPBeng.*, 3 July 1886); *Bangabasi*, 7 Aug. (*ibid.*, 14 Aug. 1886); *Swadesamitran*, undated (*RNPM*, Sept. 1887); *Andhraprakasika*, 5 Nov. (*ibid.*, Nov. 1887); *Hindu*, 29 Jan. 1891; Ray, *Poverty*, pp. 251-3; Beshambhar Nath, *LCP*, 1898, Vol. XXXVII, p. 519; *Bengalee*, 25 May 1901; S. N. Banerjea in *CPA*, p. 709; Dutt, *EHI*, p. 85.

33. For instance, the *Indian Spectator* of 5 July 1885 wrote: 'You say the Mughals taxed us twice as much as you do. What if they did? They were the Natives of India, or at all events they had adopted India as their home. Whatever revenue they raised by taxation, tyranny or plunder, used all to be spent *in* the country. Not a pie went *out* of India. Whether they spent the money on the construction of irrigation canals, trunk roads and bridges, or on palaces and masoleums, or even on fireworks and dancing girls, it returned *all* to the people from whom it had been obtained.' Also see *ABP*, 18 June 1885; Ray, *Poverty*, pp. 251-3; Naoroji, *Speeches*, Appendix pp. 41, 52; A. Nundy in *Indian Politics*, p. 126; Dutt, *EHI*, pp. xii, 100; Wacha in *CPA*. p. 605; L. M. Ghose in *CPA*, p. 759.

34. Naoroji, *Essays*, p. 30, *Poverty*, p. 211, *Speeches*, pp. 238-9, Speech at the International Socialist Congress, *India*, 2 Sept. 1904, p. 116; *Samaya*, 30 June (*RNPBeng.*, 5 July 1884); *Sind Times*, 20 May (*RNPBom.*, 24 May 1884); *Kesari*, 21 July (*ibid.*, 25 July 1903); *Kesari*, 9 May (*ibid.*, 13 May 1905).

lent economic, commercial, or material returns. Hence, the drain of the Indian conception inevitably took the form of an excess of exports over imports or of unrequited exports,[35] this excess being in fact simultaneously referred to as the proof of the existence of the drain, the form of its remittance, and the measure of its extent or quantity. This understanding of what constituted the drain provided the Indian leaders with a disarmingly simple and economically impregnable method of calculating the drain, since the amount of the drain was easily found out by taking the difference between exports and imports.[36] Dadabhai, however, tried to go a step further and

35. This was the chief reason why export surpluses, which were an important characteristic of the Indian economy during this period, were criticised by the Indian leaders. See Chapter IV on Foreign Trade of this study. As a matter of fact, exports were officially encouraged and stimulated to enable this excess of exports over imports to be maintained at the necessary level; and this official effort to push exports to maintain the requisite balance of trade was one of the driving forces as well as a major contradiction of the Indian economy during the period of British rule. On the one hand, the official policy was to push imports so as to give a fillip to the British industry, on the other hand, larger imports narrowed the excess of exports over imports and upset the balance of payments, compelling the Government of India to take recourse to loans in England which in turn required the maintenance of a larger export surplus for their servicing. Similarly, a given level of exports from India could be utilised either for meeting payments in England or for paying for imports. This naturally created a conflict between the interest of the British industry and exporters and the interests of all those deriving non-trade gains from India. This conflict explains the early attacks on the drain of wealth from India by sections of British press and politicians. This contradiction was to persist with varying degrees of political impact and consequences throughout the period of British rule.

36. Naoroji, *Essays*, pp. 101, 113-4, *Poverty*, pp. 33. 141, 198, 568-9, 574, *Speeches*, pp. 317-8, 323, 381-2, 665-7, Appendix pp. 42-3; *ABP*, 28 July 1870 and 6 Feb. 1880; Bholonath Chandra, *MM*, March 1873, Vol. II, pp. 89-90; *Mahratta*, 25 May 1884; *Sind Times*, 20 May, *Indian Spectator*, 18 May (*RNPBom.*, 24 May 1884); Joshi, *op. cit.*, pp. 636-40, 683, 695; Ray, *Poverty*, pp. 7-8; R. N. Mudholkar in *Indian Politics*, pp. 40-1; A Nundy in *Indian Politics*, pp. 112-3, 125; *Hindu*, 7 July 1898; *New India*, 19 Aug. and 16 Sept. 1901; *Indian People*, 24 July 1903; Dutt, *England and India*, p. 143, *EHII*, pp. 343-4, 528-9, *Speeches II*, pp. 47-8; G. S. Iyer, *EA*, pp. 336, 338, 353, 357-8; Gokhale, *Speeches*, pp. 87-8; L. M. Ghose in *CPA*, pp. 750, 753. Also see Chapter IV above. The Indian leaders often cited Lord Salisbury's remark made in a Minute, dated 26 Apr. 1875, that 'The injury is exaggerated in the case of India, where so much of the revenue is exported without a

to arrive at a more correct approximation of the drain by adding to this excess of exports over imports another large amount which was, in his opinion, due to India but was not paid to it, namely, the profits on its exports.[37] This view was held by him on two grounds. Firstly, he assumed that in the case of Britain and several other countries the excess of imports over exports represented, after an allowance had been made for capital transactions and the drain from India, profits of the exports.[38] This was, however, a completely fallacious argument. Secondly, he asserted that in calculating the total value of Indian exports and imports, while the price of exports was taken by the British officials as the cost price at the port of import, say Bombay, the price of British imports was regarded not as their cost price at the port of export, say London, or even the cost price at the port of import, e.g. at Bombay, but the *market* price at the port of import, or that, in other words, the British imports were inflated to the extent of the profit on their sale in the Indian market.[39] This meant that in reality the amount of the drain was much more than was indicated by the difference between the values of exports and imports. The validity of this argument obviously depended on Dadabhai's assumptions that the price of Indian exports declared at the port of export was the cost price and not the sale price including the exporter's profits and that the price of Indian imports

direct equivalent. As India must be bled the lancet should be directed to the parts where the blood is congested or at least sufficient, not to those which are already feeble from the want of it' (Naoroji, *Poverty*, p. ix). Also see Naoroji, *Speeches*, pp. 130, 233, 288, Appendix p. 13; S. N. Banerjea in *CPA*, pp. 708-09; Dutt, *Speeches II*, p. 84. Also refer to John Strachey, *Financial Statement*, 1878-9, para 52; and *Report of Indian Famine Commission*, 1880, p. 94.

37. Naoroji, *Essays*, pp. 113-4; *Poverty*, pp. 33, 131, 136-9, 198: *Speeches*, pp. 317-8, 381-2, 667. Also see R. N. Mudholkar in *Indian Politics*, p. 41; and G. S. Iyer, *EA*, pp. 336-7.

38. See, for instance, Naoroji, *Poverty*, pp. 32-3. He said: '... the normal condition of the foreign commerce of any country is generally such that for its exports there is always a return in imports equal to the exports, plus profits.'

39. *Ibid.*, pp. 131, 138, 196.

already included the British exporter's profits. In any case, this supposed distortion in the amount of the drain was not pointed out by most of the other Indian leaders who confined their calculations to the simple export balance of trade. Moreover, even Dadabhai himself was sometimes willing to forego the profits on exports when putting forward India's claims for financial justice.[40]

Many of the Indian leaders tried to compute the exact amount of the drain. These estimates differed from person to person and from year to year because of different persons using different modes of calculation and because the gap between exports and imports was growing continuously. These calculations were picked up by the mass of the emerging national leadership and popularised over the length and breadth of the land through every available medium of mass communication. Obviously, the nationalist agitation on the question acquired greater cogency as well as reliability in the public mind when concrete figures of the drain were recited. It may, therefore, be of some interest to take note of some of the calculations made by a few of the prominent leaders who also happened to be economists.[41]

Dadabhai's calculations of the drain were the most intricate for he continuously changed their basis to appease the critics and to meet all possible objections. In 1867, he computed the amount of the drain to be £8 millions.[42] In 1870, he raised this figure to £12 millions.[43] In *The Poverty of India*, published in 1876, he declared that, after excluding railway interest, the annual average of the drain since 1835 had been as follows:[44]

40. *Ibid.*, pp. 33, 139. Moreover, when pressed before the Welby Commission in 1897 to explain his assertion that the profits of the exporters were not included in the existing value of Indian exports, he failed to give a satisfactory and cogent reply (*Speeches*, Appendix pp. 53-4).

41. In the calculations quoted below the figures have been given both in £s. and Rs. because of the constantly shifting ratio between the two.

42. Naoroji, *Essays*, p. 50.

43. *Ibid.*, p. 115.

44. Naoroji, *Poverty*, p. 34.

Years	*Yearly Average (£)*
1835 to 1839	5,347,000
1840 „ 1844	5,930,000
1845 „ 1849	7,760,000
1850 „ 1854	7,458,000
1855 „ 1859	7,730,000
1860 „ 1864	17,300,000
1865 „ 1869	24,600,000
1870 „ 1872	27,400,000

In 1893, he reckoned the drain to be more than Rs. 25 crores a year.[45] In 1897, he put this figure at about Rs. 359 crores for the ten years from 1883-92. But, in order to placate those who said that interest on the public debt should not be taken as drain, he excluded this charge and still found the drain for these ten years to be nearly 288 crores, of which 118 crores were estimated to have arisen out of the profits of foreign trade. The smallest amount Dadabhai would settle for was Rs. 241 crores or 24 crores a year.[46] Finally, in 1905, he declared that nearly 34 million sterling or Rs. 51.5 crores worth of Indian produce was being drained out of India annually.[47]

According to G. V. Joshi, India had been drained of nearly 660 million sterling during the period 1834 to 1888. He also pointed out that the drain was increasing regularly, having reached a total of Rs. 25 crores a year by 1888.[48] In his Presidential Address to the Indian National Congress in 1901, D. E. Wacha put the amount of the drain at Rs. 30 to 40 crores a year.[49] At the next session of the Congress, S. N. Banerjea calculated the annual average of the drain for the last 30 years of the 19th century at £30 millions.[50] R. C. Dutt's estimate was more conservative; he found the drain to be about £20

45. *Ibid.*, p. 566.
46. Naoroji, *Speeches*, pp. 318-21.
47. *Ibid.*, p. 667.
48. Joshi, *op. cit.*, pp. 639-40.
49. *CPA*, pp. 604, 606.
50. *Ibid.*, p. 709.

millions a year in the opening years of the 20th century.[51] The most extravagant figure was that computed by Prithwis Chandra Ray in 1901 and which went as high as £60 to 70 millions a year.[52]

To make people grasp the real extent of what they believed to be the very large amount of the drain, many of the Indian leaders adopted the method of calculating it as a proportion of public revenue. Thus, for example, R. C. Dutt repeatedly pointed out that nearly one-half of India's net annual revenue flowed out of the country.[53] As a matter of fact, as we have shown in an earlier chapter of this study, a very important nationalist criticism of the financial policy of the Government of India was that a large part of taxation raised in India was spent outside the country.[54]

II. GENESIS OF THE DRAIN

While the form the drain took was, in the opinion of the national leaders, that of an excess balance of trade, what was, according to them, its genesis? Or, in other words, what was the drain due to? It may be pointed out that this question arose mainly in the course of their analysis of the drain after 1858. They did not feel the necessity of providing a detailed analysis of the drain that had occurred during the years of the Company's rule, especially before 1833—even though the amount of the drain during that period was also often calculated and condemned[55]—mainly because of two factors. The East India Company's investment in India, the payment of dividends to its share-holders, its public debt, and the accumulation of private fortunes by its officials through a process of undisguised looting were very clearly in the nature of a tribute

51. Dutt, *EHII*, p. xiv. Also see pp. 528-9.
52. Ray, *Indian Famines*, p. 37.
53. Dutt, *Speeches II*, pp. 21, 48, 85; *EHI*, p. xiii; *EHII*, p. 613.
54. See Chapter XII above.
55. Naoroji, *Essays*, pp. 47-9; Dutt, *EHI*, pp. xii, 263, 409, 420, *EHII*, pp. 115-6.

or withdrawal of wealth from India, though the extent and economic significance of this tribute might be disputed. Secondly, the Indian leaders could establish the fact of the drain without having to go in for a detailed examination by citing the authority of innumerable high official and non-official Englishmen.[56] In fact, so large was the number of Englishmen sympathising with India on account of the drain and its evil results that R. C. Dutt was led to exclaim: 'A cynic might remark that, as the flow of wealth from India to England increased in volume, England paid back the debt by copious streams of sympathy and regrets.'[57] Moreover, the Indian leaders were concerned not so much with the past as with the future and were usually willing to let bygones alone if the future was properly safeguarded.[58]

The question of the drain after 1858 or even after 1833 was, however, much more complex and open to dispute since no visible tribute was paid by India to England nor was there any transfer of 'surplus revenue' from India to the British treasury. In trying to prove the existence of the drain, the Indian leaders were therefore called upon to show how such a tribute was being paid by India to England in an indirect form in the shape of payments to individual British citizens, and that too in diverse ways.[59] They had also to demonstrate that this indirect drain arose entirely as a result of Britain's political and economic domination.

56. Naoroji, *Poverty*, pp. 38-48; Dutt, *EHI*, pp. 408-20, *EHII*, pp. 116, 123-6, 140, 213-4; G. S. Iyer, EA, pp. 330-4.

57. Dutt, *EHII*, p. 127.

58. 'The thoughtless past drain we may consider as our misfortune, but a similar future will, in plain English, be deliberate plunder and destruction' (Naoroji, *Poverty*, p. 218).

59. Thus, for example, Dadabhai Naoroji complained in 1880 that, while the former rulers of India were 'like butchers hacking here and there', the English 'with their scientific scalpel cut to the very heart, and yet, lo! there is no wound to be seen and soon the plaster of the high talk of civilisation, progress, and what not, covers up the wound!' (*Poverty*, p. 211). Similarly, the *Amrita Bazar Patrika* of 14 April 1881 complained that India was 'sucked in so many different ways, and by so many parties, that they are themselves ignorant of one another's whereabouts and doings, and of the extreme peril to which their patient is subjected by their operations'.

According to the Indian leaders, the most important constituent of the drain was the remittance to England of a part of their salaries, incomes, and savings by English civil, military, and railway employees, lawyers, doctors, etc., and the payment in England by the Government of India of the pensions and furlough allowances of the English officials. In other words, the drain was in part the result of the inordinate employment of Europeans in Indian administration, army, and railways.[60] It may be pointed out in this context that Dadabhai Naoroji sometimes took an extremely narrow view of the genesis of the drain and ascribed, especially when engaged in polemics, the entire evil of the drain to the 'excessive employment' of Englishmen in Indian administration.[61] At times he carried this narrow-mindedness to the length of inanity. For instance, addressing the delegates to the first session of the Indian National Congress, he contended that 'the *sole cause* of this extreme poverty and wretchedness of the mass of the people is the inordinate employment of foreign agency in the government of the country and the consequent material loss to and drain from the country'. He then exhorted: 'It is a question of life and death to the country. . . . *Remove but this one evil*, and India will be blessed in every way. . . .'[62] The result of Dadabhai's taking such a restricted view was that his traducers had only to point to this absurdity to prove the shallowness of his drain theory. What is perhaps even more unfortunate, this caricature by Dadabhai of his own views has led

60. Naoroji, *Poverty*, pp. 123, 135-6, 183-4, 565-6, *Speeches*, pp. 134, 153, 287, 597, 614, Appendix pp. 3-6, 43; *Amrita Bazar Patrika*, 28 July 1870, 6 Feb. 1880; *Mahratta*, 6 Feb. 1881, 20 Dec. 1885; Wacha, *Rep. INC for 1886*, p. 62, *Speeches*, Appendix p. 29, and in *CPA*, pp. 605-07; *Tribune*, 14 Sept. (*VOI*, Oct. 1887); Malaviya, *Speeches*, pp. 232-3, 248-51, 514-5; Ray, *Poverty*, pp. 6, 318, 325-6; *Bengalee*, 19 Jan. 1895; S. N. Banerjea in *CPA*, pp. 269-70, 711; R. M. Sayani, *LCP*, 1897, Vol. XXXVI, p. 191, and in *CPA*, p. 366; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18638; A. Nundy in *Indian Politics*, p. 124; Dutt, *EHI*, p. 410, *EHII*, pp. xiv-xv, 613; C. Y. Chintamani, *HR*, Jan. 1902, p. 28; M. K. Patel, *Rep. INC for 1902*, p. 77; Resolution II(c) of the INC for 1903.

61. Naoroji, *Poverty*, pp. 123, 135, 183; *Speeches*, pp. 196, 339, 391.

62. (Emphasis added). Naoroji, *Speeches*, p. 115.

many observers to miss the true depth and complexity of his as well as of other nationalist leaders' views on the drain. This blindspot in Dadabhai's arguments on the drain may, however, be explained to some extent by the following three factors: (a) Dadabhai was an extremist by nature; (b) since public foreign capital did not assume large proportions till 1870's and private foreign capital till much later, employment of Europeans in India was certainly the largest constituent of the drain as defined by the Indians; (c) during the 1860's, Dadabhai was not against foreign capital[63] and even later for several years he as well as other Indian leaders did not oppose its use very firmly or vehemently. It may also be pointed out that later, when foreign capital became an important source of the transfer of wealth from India to England, Dadabhai did start loudly inveighing against it as a source of the drain.[64]

Another major fountainhead of the drain from India, according to the Indian leadership, was that of the Home Charges of the Government of India or the expenditure incurred in England by the Secretary of State on behalf of the Indian Government.[65] The Home Charges consisted of payment of interest on the Indian public debt and the guaranteed railways, the cost of military and other stores supplied to India, and the civil and military charges paid in England on account of India, including the cost of the Secretary of State's establishment at the India Office and the payment of pensions and allowances to European officials of the Indian Government.[66]

63. See Chapter III above.

64. See below as well as Chapter III above.

65. Naoroji, *Poverty*, pp. 38, 565, *Speeches*, p. 596, and Appendix p. 6; Bholonath Chandra, *MM*, Vol. II (March 1873), p. 92; *ABP*, 28 July 1870, and 6 Feb. 1880; *Mahratta*, 6 Feb. 1881, and 13 Apr. 1884; *Indian Spectator*, 25 Feb. (*RNPBom.*, 3 March 1883); Joshi, *op. cit.*, pp. 618, 637-8; Ray, *Poverty*, pp. 6, 318-21; S. N. Banerjea in *CPA*, p. 254; R. M. Sayani in *CPA*, p. 366; *Hindustan*, 20 July (*RNPN*, 27 July 1898); *Swadesamitran*, 15 May (*RNPM*, 31 May 1900); Wacha in *CPA*, p. 605; Dutt, *Speeches II*, p. 84, *EHI*, p. xiii, *EHII*, pp. xiv-xv, 127, 215, 613; *Kesari*, 21 July (*RNPBom.*, 25 July 1903); L. M. Ghose in *CPA*, pp. 752-3.

66. In 1902-03 the Home Charges amounted to £17,700,000 and were distributed as follows: railway revenue account £6,500,000; interest and

Each of these components of the Home Charges was sometimes dealt with separately by the Indian leaders and condemned as a source of drain.[67]

The third major source of the drain, in the opinion of the Indian leaders, was the profits of private foreign capital invested in trade or industry in India.[68]

III. ECONOMIC EFFECTS OF THE DRAIN

As we have already pointed out, and as is well known to the students of modern Indian history, the most important evil attributed to the drain was that of impoverishing the country. There prevailed, however, shades of difference on this point among the ranks of the Indian national leadership. For example, Dadabhai Naoroji declared the drain to be the real, the principal, and even the soul cause of the ills, the sufferings, and the poverty of India, all other reasons and causes being 'only red herrings drawn across the path'.[69] Thus he forcibly argued in 1880 that

> It is not the pitiless operations of economic laws, but it is the thoughtless and pitiless action of the British policy; it is the pitiless eating of India's substances in India, and the further pitiless drain to England; in short, it is the pitiless

management of debt, £2,800,000; stores, £1,800,000; army effective charges, £1,300,000; civil administration, £400,000; marine, £200,000; and non-effective charges, consisting mainly of the furlough and pension allowances of civil and military officers, £4,700,000. *Imperial Gazetteer of India* (1908), Vol. IV, p. 194.

67. Naoroji, *Speeches*, pp. 319-20, 397, Appendix p. 3; Ray, *Poverty*, pp. 315-6; Dutt, *England and India*, p. 143, in *CPA*, p. 490, *Speeches II*, p. 47, *EHI*, p. xiii, *EHII*, pp. xv-xvi, 215-20, 373-5; A. Nundy in *Indian Politics*, p. 113; M. K. Patel, *Rep. INC for 1902*, p. 76; G. S. Iyer, *EA*, p. 353. For railways, see Chapter V above. For stores, see Naoroji, *Poverty*, pp. 35, 37; *ABP*, 14 Apr. 1881, and 17 Apr. 1884; Ray, *Poverty*, p. 317. For the cost of the maintenance of the India office, see Chapter XII above.

68. See the Indian leaders cited in f.n. 41 of Chapter III of this study, and *ABP*, 6 Feb. 1880; *Pataka*, 17 July (*RNPBeng.*, 25 July 1885); G. S. Iyer, *Welby Commission*, Vol. III, Q. 18638; *Hindustan*, 20 July (*RNPN*, 27 July 1898); *Swadesamitran*, 15 May (*RNPM*, 31 May 1900); *Hindu Nesan*, 27 May (*ibid.*, 30 May 1903); *Kesari*, 21 July (*RNPBom.*, 25 July 1903).

69. Quoted in Masani, *op. cit.*, pp. 413-4.

> *perversion* of economic laws by the sad bleeding to which India is subjected, that is destroying India.[70]

Only a few of the other national leaders were willing to go as far as Dadabhai in this respect. Among these the most prominent were the editors of the *Amrita Bazar Patrika*.[71] Most of these leaders contented themselves with subscribing to the opinion that the drain was playing an important, perhaps the most important, role in impoverishing the Indian people.[72] The Indian National Congress also described it as only one of the causes of India's poverty.[73] We may also point out that in fact many of the Indian leaders did not go into the question of the relative

70. Naoroji, *Poverty*, p. 216. Also see Naoroji, *Essays*, pp. 114, 134; *Poverty*, pp. 141, 199, 203, 217, 224-5, 655-6; *Speeches*, pp. 232, 250, 294, 315, 384-6, 389, 616, Appendix pp. 3, 23.

71. ABP, 28 July 1870, 29 Jan. and 18 June 1885, 22 May 1892, 27 March and 24 Dec. 1896, 13 Feb. and 7 Apr. 1897, 22 Feb., 1, 4, 8, 9 June, 3 Aug. and 1 Oct., 1900, 13 Nov. 1901.

72. Bholonath Chandra, *MM*, Vol. II (1873), pp. 90, 93; Joshi, *op. cit.*, pp. 640, 683, 794; Malaviya, *Speeches*, pp. 232-3, 248-51, 514-5; Wacha, *Rep. INC for 1886*, p. 62, *Speeches*, Appendix p. 32, and in CPA, pp. 604-07; Ray, *Poverty*, pp. 6-7, 241-2, 278, 315, and *Indian Famines*, p. 37; S. N. Banerjea in CPA, pp. 254, 269, 637, 708; R. M. Sayani in CPA, p. 366; R. N. Mudholkar in *Indian Politics*, pp. 46-7; A. Nundy in *Indian Politics*, pp. 124-6; Resolution passed at the London Indian Society's Conference held on 28 Dec. 1897, *India*, 14 Jan. 1898, p. 25; C. Y. Chintamani, *HR*, Jan. 1902, p. 29; Dutt, *Speeches I*, p. 13, *Speeches II*, pp. 21, 48, 61-2, 84-5, *EHI*, pp. xiii, xvii, 409, 420, *EHII*, pp. xiv, xvi, 127 f.n., 343-4, 528, 612-3; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18638, EA, pp. 59, 357-8; M. K. Patel, *Rep. INC for 1902*, pp. 76-7; *Indu Prakash*, 13 Dec. (*RNPBom.*, 18 Dec. 1875); *Native Opinion*, 30 Dec. 1877 (*ibid.*, 5 Jan. 1878); *Sadharani*, 31 Oct. (*RNPBeng.*, 6 Nov. 1880); *Mahratta*, 6 Feb. 1881, and 13 April 1884; *Bombay Chronicle*, 7 Oct. (*RNPBom.*, 13 Oct. 1883); *Sind Times*, 20 May (*RNPBom.*, 24 May 1884); *Sadharani*, 27 July (*RNPBeng.*, 2 Aug. 1884); *Pratikar*, 22 Aug. (*ibid.*, 6 Sept. 1884); *Sanjivani*, 18 July, *Pataka*, 17 July (*ibid.*, 25 July 1885); *Indian Spectator*, 5 July 1885; *Samaya*, 28 June (*RNPBeng.*, 3 July 1886); *Bangabasi*, 7 Aug. (*ibid.*, 14 Aug. 1886); *Swadesamitran*, undated (*RNPM*, Sept. 1887); *Andhraprakasika*, 5 Nov. (*ibid.*, Nov. 1887); Tribune, 14 Sept. (*VOI*, Oct. 1887); *Hindu*, 25 June 1894, 7 July 1898, 5 Apr. and 4 June 1900; *Bengalee*, 13 March 1897, 24 and 25 May 1901; *Hindustan*, 19 June (*RNPN*, 23 June 1897); *Parpancha Mitran*, 19 Jan. (*RNPM*, 31 Jan. 1900); *Swadesamitran*, 28 Apr. and 15 May (*ibid.*, 30 Apr. and 31 May 1900 respectively); *New India*, 16 Sept. 1901, 7 Apr. 1902; *Krisnapatrika*, 1 Sept. (*RNPM*, 6 Sept. 1902); *Vrittanta Chintamani*, 14 Nov. (*ibid.*, 14 Nov. 1902); *Kesari*, 21 July (*RNP Bom.*, 25 July 1903); *Advocate*, 2 Feb. (*RNPUP*, 4 Feb. 1905).

73. Resols. XII, IX, VIII(a), III, and III of 1896, 1897, 1901, 1902, and 1904 respectively.

importance of the drain and various other factors as causes of poverty; when they were discussing the drain they condemned it vehemently, when they were discussing some other factor which they believed to be a cause of India's poverty, they condemned that too equally vehemently.

What is perhaps not so well known is the economic logic behind the conviction of the national leadership that the drain made the country poor or the reason why it regarded the drain as economically destructive and disastrous. The point to be emphasised in this connection is that the Indian leaders considered the drain not only as loss of wealth but also as loss of capital. The drain theory as propounded by them was not limited to the narrow concept of export of money or goods but was based on wider economic reasoning and considerations.

The concept of direct loss of wealth or of physical transfer of a part of the national product or of 'the actual diminution from the means of subsistence of the people' was of course inherent in the very definition of the drain. This was the sense in which the popular mind understood the term and the meaning that was also propagated, implicitly or explicitly, by many of the economists among the national leaders, who pointed out that even if the drain had no other economic effect the sheer reduction of national product was large enough to be a major evil.[74]

Some of the Indian leaders were also able to grasp the fact that the transfer of national wealth abroad had an important and harmful impact on income and employment within the country. They pointed out that the drain represented not only the spending abroad of a certain portion of national income but also the further loss of employment and income that would have been generated inside the country if that amount had been spent inside it. Thus R. C. Dutt remarked in 1903:

74. See, for instance, Naoroji, *Poverty*, pp. 124, 184, 195, 203, 631, *Speeches*, pp. 135, 287, 597, Appendix pp. 5-6; Malaviya, *Speeches*, p. 233; Ray, *Poverty*, pp. 329-30; S. N. Banerjea in *CPA*, pp. 254, 709; R. M. Sayani in *CPA*, p. 353; Dutt, *Speeches II*, pp. 48, 85.

> For when taxes are raised and spent in a country, the money circulates among the people, fructifies trades, industries, and agriculture, and in one shape or another reaches the mass of the people. But when the taxes raised in a country are remitted out of it, the money is lost to the country for ever, it does not stimulate her trades or industries, or reach the people in any form.[75]

Some of the Indian leaders, including R. C. Dutt, substantiated this point regarding the economic effects of external expenditure of taxes by quoting at length the following famous remarks of George Wingate:

> Taxes spent in the country from which they are raised are totally different in their effects from taxes raised in one country and spent in another. In the former case the taxes collected from the population at large are paid away to the portion of the population engaged in the service of Government, through whose expenditure they are again returned to the industrious classes. But the case is wholly different when the taxes are not spent in the country from which they are raised. In this case they constitute. . . an absolute loss and extinction of the whole amount withdrawn from the taxed country. As regards its effects on national production, the whole amount might as well be thrown into the sea.[76]

This point also substantiated the distinction which the Indian leaders made between old despotic rulers of India and the British. Thus Surendranath Banerjea observed n 1902 that 'the conquerors of old soon made the conquered country their own, and returned to the people money which they had wrung from the people. They thus *stimulated the springs of domestic industry and contributed to the material prosperity of the people.*'[77] In the preface to the first volume of his *Economic History* of

75. Dutt, *EHII*, p. xiv. Also see 'A Plea for the Spoliation of India', *JPSS*, Jan. 1885 (Vol. VII, No. 3), p. 17.

76. Quoted in Dutt, *EHI*, pp. 418-9, *EHII*, pp. 213-4; Naoroji, *Speeches*, pp. 129-30, 296, Appendix pp. 13-4; Malaviya, *Speeches*, pp. 251-2. Also see S. N. Banerjea in *CPA*, pp. 254, 709.

77. (Emphasis added). In *CPA*, p. 709.

India, R. C. Dutt also made this point quite distinctly. After protesting that 'taxation raised by a king, says the Indian poet, is like the moisture of the earth sucked up by the sun, to be returned to the earth as fertilising rain; but the moisture raised from the Indian soil now descends as fertilising rain largely on other lands not on India', he averred that this had not happened even under the worst of Afghan and Mughal emperors. On the other hand, he claimed, 'the gorgeous palaces and monuments they built, as well as the luxuries and displays in which they indulged, fed and encouraged the manufacturers and artisans of India.' He therefore asserted that 'under wise rulers as under foolish kings, the proceeds of taxation flowed back to the people and fructified their trade and industries'.[78]

It should also be noted that a clear understanding of the secondary income effect created by the internal expenditure of taxes was implicit in the nationalist demand that taxes should be permitted to flow back to the people and thus 'to fructify in the people's own pockets'[79] or 'to fructify their trades and industries'.[80]

Dadabhai Naoroji further extended the definition of the drain and complained against even that part of the foreigners' salaries and incomes which they spent within India. What foreigners consumed in India, he claimed, caused a partial loss to the people of India because it represented the 'eating up' of goods and services which Indians would have otherwise consumed.[81]

The economists among the Indian leaders, however, dreaded the drain more as loss of capital than as loss of wealth, since they recognised quite distinctly that the drain was harmful precisely because it denuded India of its productive capital. Dadabhai Naoroji, for one, kept this aspect uppermost in his analysis from the very beginning of his critique of the drain.

78. Dutt, *EHI*, pp. xi-xii. Also see *ibid.*, p. 100; L. M. Ghose in *CPA*, p. 759.
79. Naoroji, *Poverty*, p. 184; *Speeches*, pp. 117, 668, Appendix p. 5.
80. Dutt, *EHI*, pp. xii, 426; *EHII*, p. xiv.
81. Naoroji, *Speeches*, pp. 286-7. Also see *ibid.*, pp. 119, 134-5, 153, 615, Appendix pp. 5-6, 10; and Naoroji, *Poverty*, pp. 184, 195, 203, 216, 224, 566.

In nearly all his pronouncements on the drain he brought out very clearly this loss of capital aspect which, in fact, formed the core of his drain theory. However, this aspect of the drain theory has not hitherto been given due importance with the consequence that Dadabhai's subtle insight and contribution as a nationalist economist have been more or less ignored and he has been looked upon as a great man who was a staunch nationalist leader but who was perhaps in matters economic a simpleton if not an ignoramus, who foolishly believed that the money paid to a few thousand Englishmen could significantly reduce the wealth of a vast country like India. This lacuna in the proper understanding of the drain theory has prompted me to deal with the national leadership's, and in particular Dadabhai's, examination of the drain as loss of capital at some length.

First of all, it may be pointed out that many of the national leaders were consciously of the view, which they popularised widely, that the drain was injurious in the main because accumulation of capital in the country was being checked and retarded by the removal of a large part of its currently accumulating capital to a foreign land.

As early as 1817, in his 'statement to the Select Committee on East India Finance', Dadabhai gave clear expression to this view:

> Whatever revenue is raised by the other countries, for instance, the £70,000,000 by England, the whole of it returns back to the people and remains in the country; and, therefore, the national capital, upon which the production of a country depends, does not suffer diminution; while, on account of India's being subject to a foreign rule, out of the £50,000,000 of revenue raised every year, some £12,000,000, or more, are carried clear away to England, and the national capital—or, in other words, its capability of production—is continually diminished year after year.[82]

82. Naoroji, *Speeches*, Appendix p. 181.

In *The Poverty of India*, Dadabhai repeated the above assertion in almost identical words[83] and claimed that the drain not only cut into the current national savings but even diminished the existing stock of inherited national capital.[84] In reply to the critics of the above paper, he enunciated his objection to the Europeanisation of the services and the drain in a most unambiguous language and asserted that he did not 'mention the necessity of the employment of Natives as anything more than the *only remedy by which the capital of the country can be saved to itself* to enable the agricultural as well as all other industries to get the necessary life-blood for their maintenance and progress'.[85] Similarly, in his reply to M. E. Grant Duff in 1887, Dadabhai complained that 'by the present policy British India is prevented from acquiring any capital of its own, owing to the constant drain from its wretched income'.[86] And in his speech in the House of Commons on 12 February 1895 he declared that as a result of the drain capital was withdrawn from India and 'the Natives prevented from accumulating it'; in fact, 'this compulsorily obtained benefit to England crippled the resources of British Indians, who could never make any capital and must drag on a poverty-stricken life.'[87] During his cross-examination before the Welby Commission Dadabhai repeatedly tried to focus the attention of the Commission on the loss of capital due to the drain and, striving to meet his critics half-way, observed that Indians would not object to the payment of 'a fair tribute' provided it 'could be brought within such dimensions as would enable India to make capital'.[88]

The effective manner in which Dadabhai linked the drain with capital formation and income generation was brought out in a clear-cut and dramatic manner in the course of a prolonged

83. Naoroji, *Poverty*, p. 59.
84. *Ibid.*, pp. 56, 64.
85. (Emphasis added). *Ibid.*, p. 135.
86. Naoroji, *Speeches*, p. 595.
87. *Ibid.*, pp. 152-3.
88. *Ibid.*, Appendix p. 52. Also see *ibid.*, pp. 196, 382, *Essays*, p. 101, *Poverty*, pp. 38, 217, 225.

argument he had with the Chairman of the Welby Commission. Herein, Dadabhai revealed a profound, almost precocious, insight into the relationship between increment of investment and increment of income in an underdeveloped country like India. Let us follow this argument step by step in its actual occurrence.[89]

Dadabhai had stated in the earlier part of his evidence that India's tax revenue of Rs. 640 millions was utterly inadequate for the efficient and progressive government of the country and that it was so small because of the 'unnatural system' of government which impoverished the people and incapacitated them from paying more to the government. He further opined that if India was 'allowed to retain its resources instead of being bled by this foreign domination', it would be able to pay as taxation, if necessary, Rs. 2,000 millions. Lord Welby would not accept this assertion and asked how a poor country 'if only it were under an independent government' could raise its taxation from 2 rupees 12 annas (3s. 8d.) to £1 6s 6d per head. Dadabhai's answer was 'What is poor now would become rich if it is allowed to keep its own benefits'. Welby could not or would not follow this reasoning and wondered that, since Dadabhai's objection was only to the Rs. 200 millions that were being spent upon European soldiers and civilians, even if Indians were paid this amount, how would this help raise taxation from 2 rupees to a level of £1 6s 6d per head, that is, from Rs. 640 millions to Rs. 3,000 millions per year? Dadabhai's reply to this question reveals how he did not understand the drain to mean a mere transfer of wealth. 'If what is taken out of the country is saved to the country', he observed, 'its economical effects would be to enrich the country.' In other words, the country's gain would not be limited to the actual saving of Rs. 200 millions. Welby was not yet satisfied and probed further: 'But you cannot enrich it (India) more than the sum (Rs. 200 millions)?' Dadabhai replied: 'This sum remaining in the country will economically provide far better effects than it does at present. It is

89. (Emphasis added). Naoroji, *Speeches*, Appendix pp. 18-21, 24.

not the saving of the Rs. 200 millions only, it would be the saving of all the reproduction, fructification of the money in the country itself.' But this 'fructification of the money' was not understood by Dadabhai in the mechanical sense of compound interest (or profit) on the capital increasing year by year in the manner of the old woman's penny. Even though his actual statistics and calculations might have been woolly and at times, even unsound, he was here entering the heart of the investment-economic growth process and was not only almost anticipating the modern theories of economic development but perhaps foreshadowing even the concept of investment multiplier. Thus when Welby protested: 'But that Rs. 200 millions laid out there (in India) could only produce a certain interest', Dadabhai countered: 'It is not all interest, it is *developing the resources of the country which might quintuple* and make the riches of the country *far greater* than what they are. It will make, in fact, the country rich if all that is drawn away from India is saved in it and becomes its own resources. It is capital, the blood of the country.' Welby still chose to misunderstand him[90] and remarked: 'I am delighted to hear that India is so rich that laying out Rs. 200 millions would produce in a year between Rs. 2,000 to Rs. 3,000 millions.' Dadabhai disposed of the remark quite easily by pointing out that he never meant that the result anticipated by him would be produced in just one year and that what he meant was that if the drain was stopped India could 'give in time' all that might be necessary as taxes, whether Rs. 2,000 or Rs. 3,000 millions. After this exchange, Welby again tried twice or thrice to make Dadabhai admit that his belief that such a small saving as Rs. 200 millions a year could fructify to so great an extent was absurd and

90. I say chose to misunderstand because the entire tenor of his questions betrayed such ignorance of economic science that one has to assume that the fool's cap was donned by Welby, famous for his grasp over financial matters, deliberately in order to trip up Dadabhai. The contrary belief that it fairly represented the level of contemporary official economic thinking would not only show Welby and the official reasoning in a very poor light but make Dadabhai shine even more in comparison. In any case, there is no doubt that Welby came off very badly in this set of exchanges.

fallacious. But Dadabhai stuck to his guns.

G. V. Joshi also looked upon the drain as a loss of capital. And in this respect too he added another dimension to the nationalist understanding. He suggested that the drain should be regarded not as a proportion of the annual gross national product, though this proportion was high enough, but as a proportion of the annual net potential surplus or saving. Thus in 1884 in the essay, 'The Economic Results of Free Trade and Railway Extension', he calculated that in 1882 the excess of exports over imports was 23 crores, the gross annual production of India was 350 crores, and the profits on the total production at the most favourable rate of 12 per cent were 40 crores. The drain on national resources therefore amounted to 'more than half the net profits of national production'.[91] Six years later in the article, 'The Economic Situation in India', G. V. Joshi gave pointed expression to this formulation in the following words:

> The full measure of this drain is not the ratio it bears to the gross annual income of the country—which is about 6 per cent—but its proportion to the net income after defraying the *necessary* expenditure of the year's maintenance of the Natives. And this proportion is nearly one-third. *Full one-third of our net national income* going out of the country to meet our foreign liabilities, and bringing no economic return, —this is certainly a heavy loss to the country and goes a long way to account for the small accumulations of capital it has to show.[92]

Several other national leaders, including D. E. Wacha and G. S. Iyer, also expressed similar opinions concerning the annual drain representing a substantial amount of capital taken out of the country.[93]

91. Joshi, *op. cit.*, p. 683.

92. *Ibid.*, pp. 793-4. He went a little further and contended that the internal borrowings of the government represented another drain on the capital resources of the country in so far as they had 'the effect of intercepting for non-productive outlay a portion of the country's savings, which would otherwise go to increase the working capital of the country' (*ibid.*, p. 794).

93. Bholonath Chandra, *MM*, Vol. II (1873), p. 93; *Native Opinion*, 30

Secondly, some of the Indian leaders maintained that the drain by producing shortage of capital in the country hindered industrial development on which depended the economic salvation of India. In fact, they felt, the chief responsibility for the slow growth of modern industry in India lay at the head of the drain. Thus, in his paper on 'The Poverty of India', Dadabhai Naoroji argued that, though industrialisation on a large scale was the most pressing need of India, in practice industry was limited by the amount of available capital since, and here he quoted John Stuart Mill, 'What supports and employs productive labour is the capital expended in setting it to work, and not the demand of purchasers for the produce of the labour when completed.' And since India was short precisely of capital—as it produced little surplus over and above its daily reproduction needs and as even this surplus was drained away — it could not utilise industry for increasing its wealth with the result that the gradual impoverishment of the land continued unabated.[94] Repeating this line of reasoning in 1881, he sarcastically observed: 'And while Englishmen are sweeping away this very capital, they raise up their hands and wonder why India cannot have industry.'[95] Similarly, in his cross-examination before the Welby Commission, he denied that the unwillingness of Indians to invest their capital was the main reason for lack of India's industrial growth; the fact was, he maintained, that the capital available with Indians was not enough. It did not 'enable India to go in freely with all its own resources to develop its own resources for its own benefit'. If India were not deprived of its capital every year, it would certainly be able to develop its resources.[96] Later, in a speech delivered in 1900, Dadabhai declared that even the loss of

Dec. 1877 (*RNPBom.*, 5 Jan. 1878); *Mahratta*, 19 June 1881, 13 Apr. 1884; Wacha, *Rep. INC for 1886*, pp. 61-2, *Rep. INC for 1898*, p. 104, in CPA, p. 625; G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18675, 18702, EA, p. 125; M. K. Patel, *Rep. INC for 1904*, p. 114.

94. Naoroji, *Poverty*, pp. 55-6. Also see pp. 64 and 135.

95. *Ibid.*, p. 217.

96. Naoroji, *Speeches*, Appendix p. 9.

India's old industries was in part due to the drain; 'Great Britain had deprived them of their life-blood, and they could no longer carry on their industries because they had no means wherewith to maintain them.'[97]

G. V. Joshi also averred that the insufficiency of working capital available in India for industrial purposes was in part due to the absence of any large accumulation of capital which was in turn partially the result of the drain of capital from India to Britain. 'No nation can stand such a drain', he asserted, 'and yet hold its own in the industrial field.'[98] Similarly, D. E. Wacha too felt that since capital accumulated capital and industry was limited by capital, India could not embark on new industrial enterprises so long as its capital was being depleted by the drain. As an instance in point, he referred to the remarkable industrial growth of Japan where 'that exhausting process... of the annual abstraction of the national surplus of wealth' was not going on.[99] The nationalist position regarding the link between the drain and lack of industrialisation was brought out unambiguously in an exchange of questions and answers between Dadabhai and G. K. Gokhale in the course of the latter's examination by the Welby Commission. Gokhale was being asked why Indians did not start new industries:

> (Dadabhai) What is the reason they were not able to take up these industries, such as tea or any of these industries, or any of these enterprises which the foreigners came and took possession of; is it not because our capital is carried away from the country? (Gokhale) Yes, that is so.
>
> (Dadabhai) Is not that at the root of the whole thing? (Gokhale) Yes, it is at the root of the whole thing.[100]

Some of the Indian leaders further pointed out that, while

97. Naoroji, *Poverty*, p. 659. Also see Gokhale, *Speeches*, p. 909.

98. Joshi, *op. cit.*, pp. 793-4.

99. Wacha in *CPA*, pp. 625-6. Also see *ibid.*, pp. 602-03, 606; G. S. Iyer, *Welby Commission*, Vol. III, Q. 18702; *Benaglee*, 19 Jan. 1895; *Swadesamitran*, 29 May (*RNPM*, 31 May 1900).

100. *Welby Commission*, Vol. III, Qs. 18168-9.

the drain had been a source of loss of capital to India, it had proved to be in the past a major source of capital accumulation to England where it had 'fructified' and helped in the rapid industrialisation of the country.[101]

We may note in this respect that Dadabhai Naoroji and the other leaders cited above were, on the whole, oblivious of the fact that the net national surplus, as defined by them, would not be transformed into industrial capital automatically and that two snags had to be overcome before that could happen. Firstly, they ignored the internal drain on the national capital caused by the conspicuous consumption of the saving classes and by their tendency to hoard wealth or to invest it in non-industrial, non-productive fields. Dadabhai did touch the problem, though just barely, in his evidence before the Welby Commission when he criticised the tendency of the rulers of some of the Indian states to hoard their savings. Similarly, as we have pointed out above, G. V. Joshi criticised the government for floating public loans in India as these loans drained the country of its investible capital. And the *Bengalee* of 25 December 1880 and 28 January 1882 criticised the zamindari system of Bengal for causing a diversion of the available capital of Bengal from trade and industry to land. But generally this group of Indian leaders ignored this aspect of the problem of capital formation. Secondly, these leaders did not realise that problems pertaining to technique, organisation of capital, entrepreneurial skill, etc. had to be overcome before economic surplus could be transformed into industrial capital. In fact, as we have seen in Chapters II and III above, in other contexts many of the Indian leaders did pay attention to these problems. But in the context of the drain these problems were relegated to a subordinate place. Dadabhai Naoroji in particular ignored them with total disdain. He perhaps believed that the stoppage of the drain and the creation of capital thereby was the primary

101. Naoroji, *Essays*, p. 101. *Speeches*, p. 232; S. N. Banerjea in *CPA*, p. 695; G. S. Iyer, *EA*, p. 243; *Hitavadi*, 3 Oct. (*RNPBeng.*, 7 Nov. 1903). Also see Wacha, *Rep. INC for 1886*, p. 61.

task and that other problems could be faced only after it had been accomplished.

Another charge levelled against the drain by Dadabhai Naoroji was that it facilitated the penetration and exploitation of India by foreign capital. This, according to him, it did in two ways. Firstly, by preventing the accumulation of capital within India and by thus prostrating internal capital, the drain permitted foreign capitalists to come to the country without having to face any indigenous competition and thereby to monopolise and reap all the advantages of India's material resources.[102] Secondly, the drain acted as the chief source of the accumulation of foreign capital invested in India for a large part of the drain was brought back to India as foreign capital.[103] In this respect, declared Dadabhai, the European services in India acted as a double evil. On the one hand, they prevented the accumulation of capital in the hands of the Indian salaried classes and promoted the growth of foreign capital through the savings of European officials and, on the other, they patronised and protected British capitalists.[104]

R. C. Dutt, who was a very vocal advocate of both the drain theory and the theory that the heavy land revenue impoverished the country, made an attempt to establish a direct relationship between these two theories and to show that the drain was mainly paid out of land revenue and therefore represented the impoverishment of the peasantry. Thus, in his preface to the second volume of the *Economic History of India*, he stated that in 1900-01 the Home Charges nearly equalled the total land revenue.[105] Later on in the book he brought out the more

102. Naoroji, *Speeches*, pp. 152-3, 196, 319, 382. Appendix pp. 3, 5, 7-8. He further remarked: 'If we were free to accumulate our own capital fully we should be able then to compete on equal and fair terms with the foreign capital coming in, and there would be perhaps more benefit than evil by the foreign capital. At present we suffer it as an evil because we are helpless and on the ground' (*ibid.*, Appendix p. 7). Also see Gokhale's answers to Dadabhai's questions, *Welby Commission*, Vol. III, Qs. 18169-71, 18183-4.

103. *Ibid.*, pp. 250-1, Appendix pp. 6-7.

104. *Ibid.*, pp. 153, 663.

105. Dutt, *EHII*, p. xiv. Also pp. 372-3.

complex economic connection between the two. Financially, he remarked, the drain was met directly from the public revenues, whose largest constituent was land revenue, and, economically, the drain had to take the form of excess exports. The financial and the economic aspects of the drain got related in the following manner: cultivators had to sell a large part of their produce to pay land revenue or rent, this produce was exported because the country had to create the requisite export surplus and because the agricultural products extorted from the village by the harsh land revenue system had to be marketed. Thus through the mechanism of land revenue the peasant was forced both to pay for the drain and to provide the agricultural products through which it was remitted abroad. The result was that he was, on the one hand, impoverished by the heavy and harsh land revenue and, on the other, starved of food-grains which he was compelled to sell and the country to export because of the dual pressure of land revenue and the drain.[106]

Earlier, in 1901, he had tried to link the drain and land revenue even more directly, in order to meet Dadabhai Naoroji's friendly criticism that his emphasis on land revenue as a cause of India's poverty tended to detract public attention from the fundamental cause of this poverty, namely, the drain. Moving a resolution at a Conference of Indians in London, held on 24 May 1901, asking for moderation of the land tax in India, he claimed that this resolution was in fact a supplement to the earlier resolution on the drain. He said that while Dadabhai had been agitating against the annual outflow of a large part of the Indian revenue, he himself desired to show that a large part of the revenue was raised from 'the poorest of the poor', the cultivators of India. It would thus appear, he explained, that Dadabhai and he were dealing not with two different questions but only with two aspects of the same question. 'We are not asking for two different reforms', he maintained, 'we are demanding the same reform, showing its need from outside and from inside.' He concluded by asserting that 'the annual

106. *Ibid.*, pp. 348-9, 534-6.

Economic Drain will never be reduced until the Land Tax is moderated and the Land Tax will never be moderated until the Economic Drain is reduced'.[107] Similarly, the *Amrita Bazar Patrika* of 1 October 1900 opined that while over assessment of land was a great evil it was 'only the *effect* of the chief cause of the famine', namely the drain.

D. E. Wacha referred in 1886 to another aspect of the impact of the drain on agriculture when he asserted that it deprived agriculture of all productive capital. He emphasised that no increase in the produce of the soil could take place as long as 'the profits of the entire population are drained away' because such an increase was 'only possible by the expenditure everywhere of capital on the land, in minute fractions, doubtless in each case, but in large masses in the aggregate'.[108]

Many of the Indian leaders were also able to see that, apart from the direct loss resulting from the unilateral transfer of wealth, the drain produced the secondary injury of worsening India's terms of trade with foreign countries. Because the drain involved the maintenance of an export surplus, it tended to give a compulsory character to India's exports: India had to export or perish. Consequently, India had to depress the price level of its exports to persuade the foreign purchasers to buy them. In other words, as a result of the drain, the terms on which India exchanged its exports for imports were turned against it.[109]

It is of some interest to note that in their critique of the drain the nationalists found themselves in distinguished company. In the *Wealth of Nations*, Adam Smith described the early British rulers of India as 'the plunderers of India.'[109a] Similarly, Karl Marx used words identical with those used by Dadabhai Naoroji to describe the drain. In 1857 he wrote:

107. Dutt, *Speeches II*, pp. 27-8.
108. Wacha, *Rep. INC for 1886*, p. 61.
109. See above Chapter IV; Joshi, *op. cit.*, p. 641; ABP, 17 July 1892; Wacha, *Rep. INC for 1898*. p. 105; G. S. Iyer, EA, pp. 357-8.
109a. Adam Smith, *The Wealth of Nations* (Cannan Edition, published by Modern Library, New York, undated), Book V, Chapter I, Part III, p. 710.

> These pensions (to retired British servants of Government of India), with the dividends and interest on debts due in England, consume some fifteen to twenty millions of dollars drawn annually from India, and which may in fact be regarded as so much tribute paid to the English Government indirectly through its subjects. Those who annually retire from the several services carry with them very considerable amounts of savings from their salaries, which is so much more added to the annual drain on India.[109b]

And in 1881 he observed:

> What the English take from them annually in the form of rent, dividends for railways useless to the Hindus, pensions for military and civil servicemen, for Afghanistan and other wars etc. etc.—what they take from them *without any equivalent* and *quite apart* from what they appropriate annually *within* India—speaking only of the *value of the commodities* the Indians have gratuitously and annually to *send over* to England—it amounts to *more than the total sum of income of the 60 millions of agricultural and industrial labourers of India!* This is a bleeding process with a vengeance![109c]

In the end, two other economic considerations may also be kept in view. Firstly, whether the drain is interpreted in its narrow sense of expenditure on non-economic services or in its widest sense of the entire export surplus, the amounts involved —whether taken as 24 crores of Dadabhai's calculation, which excluded interest on public debt, or as 30 crores of Morison's calculation, which was based on the measure of export surplus, or as any other amount—were quite significant when contrasted with the low national income of India or the net surplus generated by the economy or the net public revenue which amounted to Rs. 46.86 crores in 1881-2, and 60.79 crores

109b. 'British Incomes in India', New York Daily Tribune, 21 Sept. 1857, *Marx and Engels on Colonialism* (Moscow, undated), p. 143.

109c. Marx's letter to N. F. Danielson, 19 Feb. 1881, *ibid.*, p. 304.

in 1901-02.[109d] Secondly, it is widely accepted today that before a country can lay the foundations of its economic development, i.e., reach the 'take-off' stage, it must be a capital-importing country, or, in other words, it should have an import surplus. Only at a later stage of its economic development can it afford to pay back its debts through an export surplus, though the chances of even such an eventuality occurring within a forseeable span of time are rated very low. The post-Second World War period, in which a large number of economically backward countries are trying to develop their economies, has not witnessed a single example of a country trying to do so along with an export surplus. In almost every case, these countries are having negative balances of trade. Such is, for example, the case of present day India—and quite a typical case too. In contrast, throughout the 19th century, except for a few years after the Revolt of 1857 and that also to the extent of barely 25 million sterling, India was a net exporter of capital.

IV. REDUCTION OF THE DRAIN

Some of the protagonists of the drain theory believed that India would never be economically regenerated as long as the drain continued; on the other hand, if India could 'once get out of this ditch of the "drain", the rest will all follow in the natural course of things'.[110] Many others, however, adopted a

109d. *Imperial Gazetteer of India* (1908), p. 201. For example, the sum paid as furlough and pensions allowances in England alone came to nearly 12 per cent of net annual revenue of India in 1902-03 (calculated from figures in ibid., pp. 194, 201). In 1895 P.C. Ray claimed this figure to be 16 per cent. (*Poverty*, p. 318). Many Indián leaders also tried to calculate, on the basis of the Parliamentary return of 1892, the amount Europeans, excluding soldiers, drew as salaries and pensions in India and in England and arrived at the startling figure of nearly Rs. 15 crores or nearly 30 per cent of the total net revenue of the Government of India. Naoroji, *Speeches*, p. 134, Appendix pp. 6, 89-90; Malaviya, *Speeches*, pp. 232-3, 248, 515-6; Ray, *Poverty*, pp. 325-6; A. Nundy in *Indian Politics*, p. 124; Wacha in *CPA*, p. 607; S. N. Banerjea in *CPA*, p. 711; Dutt, *EHI*, pp. xiii, 427 f.n. Also see Gokhale, *Speeches*, pp. 1187-8.

110. Dadabhai Naoroji, quoted in Masani, *op. cit.*, p. 316. Also see Naoroji,

less sweeping attitude and considered reduction of the drain to be only one of the essential conditions for the removal of poverty and famine.[111]

Two other things may be noted in this connection. Firstly, as already pointed out earlier, even Dadabhai was conscious of the fact that *some* drain had to be there as a necessary accompaniment of foreign rule and that it could not be completely eliminated without overthrowing that rule—a contingency that was normally far from Dadabhai's thoughts during the period under study.[112] Secondly, Dadabhai and R. C. Dutt tried to convince the British people that curtailment of the drain would also result in immense benefit to them by increasing their exports to India manifold.[113] In trying to achieve his objective, Dadabhai did not hesitate to take advantage of the political differences that were emerging sharply during the period under study between the different classes of British society. Appealing to the working class of Britain, he alleged, first in 1893 and then again in 1896, that it was only 'some people of the higher classes that at present draw all the benefits from India', while, on the other hand, if the drain was removed, such an enormous market for British goods would arise in India that 'the United Kingdom would not for a long time hear anything about her "unemployed".'[114]

How was the drain to be reduced? The nationalist answer was simple: remove the causes of the drain. Since these causes have already been examined in detail, much space need not be

Poverty, pp. 142, 200-01, 203, 574-6, *Speeches*, pp. 115-6, 120, 361, 378, 527, 529-30, Appendix pp. 6, 26; Resolution passed by the Lonodn Indian Society, *India*, 14 Jan. 1898, p. 25; *ABP*, 4, 9 June 1900, 28 March 1901.

111. See, for example, Wacha, *Rep. INC for 1886*, p. 61, and *Rep. INC for 1898*, p. 104; Malaviya, *Speeches*, p. 252; Sri Ram, *LCP*, 1901, Vol. XL, p. 238; Dutt, *Speeches I*, pp. 13, 25, *Speeches II*, pp. 21, 62, 87, *EHI*, p. xiv, *EHII*, p. xvii; Resol. III of INC for 1901 and Resol. III of INC for 1902; S. N. Banerjea in *CPA*, pp. 691, 711; G. S. Iyer, *EA*, pp. 59, 129.

112. Naoroji, *Essays*, p. 123, *Poverty*, p. 226, *Speeches*, pp. 120, 525, Appendix p. 52.

113. Naoroji, *Poverty*, pp. 142, 201, 658, *Speeches*, pp. 115-6, 162, 232-3, 323-4, 530; Dutt, *Speeches II*, pp. 62-3, *EHII*, p. 613.

114. Naoroji in *CPA*, p. 164. Also see Naoroji, *Speeches*, pp. 233, 323.

devoted to examining at length the nationalist remedies for the drain. I will therefore merely point to these remedies.

The most important of these remedies was the Indianisation of the civil and military services and the consequent reduction of the European element in them to 'reasonable' proportions.[115] It may be noted in this respect that, as pointed out earlier as well, Dadabhai Naoroji often put the drain theory on a very narrow base by suggesting that Indianisation was the only remedy of the evil. The theory was sometimes reduced even to absurd and ridiculous proportions when he narrowed it down further and maintained that simultaneous examinations in India and England for the Civil Service and 'fair' competition for the uncovenanted and subordinate services were in themselves sufficient conditions for making India prosperous.[116]

Secondly, the Indian leaders demanded curtailment of the Home Charges.[117] This step was sometimes advocated even without its being linked with the drain. The Home Charges could in turn be reduced in several ways. The method most popular with Indian leadership was that of Britain assuming a large share of this burden.[118] The Home Charges, suggested some of the Indian leaders, could also be curtailed by reducing the burden of the interest payments on India's public debt held in England by reducing the burden of the public debt itself[119] and by reducing the rate of interest on it by obtaining an

115. See, for instance, Naoroji, *Poverty*, pp. 123-4, 135, 142, 639, 657, *Speeches*, pp. 115, 196-7, 529, 580, Appendix pp. 5, 23, 25, 74-5; *Bengalee*, 28 Aug. 1880; Wacha, *Rep. INC for 1886*, p. 61; D. G. Padhye, *Rep INC for 1886*, p. 99; Resols. III, III, II(c), and III(c) of the INC for 1901, 1902, 1903, and 1904 respectively; R. N. Mudholkar, *Rep. INC for 1901*, p. 88; S. N. Banerjea in CPA, pp. 709, 711; Dutt, *Speeches I*, p. 93, *Speeches II*, p. 21.

116. Naoroji, *Speeches*, pp. 196-7, 529. Cf. Rees, *op. cit.*, p. 289.

117. See references cited in f.n. 63 of Chapter VII above; and Ranade, 'Review of Fawcett's "Three Essays on Indian Finance"', *JPSS*, July 1880 (Vol. III, No. 1), p. 80; *Hindu*, 26 July 1893; Resol. XVII of INC for 1893; P. A. Charlu, *LCP*, 1896, Vol. XXXV, p. 286; Dutt, *Speeches I*, pp. 13, 93, *EHII*, p. 612, *England and India*, p. 144.

118. See Chapter XII above.

119. Dutt, *Speeches I*, pp. 97-8, and *EHII*, pp. xvii, 599, 612. Also see Joshi, *op. cit.*, pp. 106, 131-3.

Imperial guarantee for it,[120] by raising the public debt in India and not in England,[121] by reducing the burden of the railway debt by cutting down the speed of railway construction,[122] by purchasing government stores in India itself,[123] by promoting Indian industry so that unnecessary imports might be eliminated,[124] and by checking the increasing import of private foreign capital.[125] Another important remedy suggested by the Indian leaders for reducing the drain was that of fair apportionment of charges between England and India.[126]

V. SOME INDIAN DISBELIEVERS IN THE DRAIN THEORY

It has been widely believed that there existed an anti-drain theory school of thought among the Indian nationalists and that this school was led by Ranade who 'did not lay the blame for India's poverty upon what has come to be called "the drain" '.[127] The passage from Ranade's writings from which this inference is drawn is to be found in his inaugural address at the first Industrial Conference at Poona in 1890. In this address Ranade declared: 'There are some people who think that, as long as we have a heavy tribute to pay to England which takes away nearly twenty crores of our surplus Exports, we are doomed and can do nothing to help ourselves. This is,

120. See Chapter XII above.

121. G. S. Iyer, *Welby Commission*, Vol. III, Qs. 18954-5; *Swadesamitran*, 29 May (*RNPM*, 31 May 1900). Also see *Jame Jamsed*, 5 July (*RNPBom.*, 19 July 1880); *Samaya*, 3 March (*RNPBeng.*, 8 March 1884). On the other hand, G. V. Joshi favoured sterling loans because of their cheapness as compared with rupee loans and because the latter type of loans diverted from industry India's investible capital. Moreover, he observed with uncommon acumen, since most of the rupee debt too was held by Englishmen, the only advantage of rupee loans, viz., that they checked the drain, did not materialise, (*op. cit.*, pp. 114-30).

122. See Chapter V above and Dutt, *EHII*, p. 375.

123. *ABP*, 14 Apr. 1881; S. K. Nair, *Rep. INC for 1895*, p. 74.

124. See Chapter II above; G. S. Iyer, *EA*, p. 85; S. N. Banerjea in *CPA*, p. 709.

125. See Chapter III above.

126. See Chapter XII above.

127. Kellock, *op. cit.*, p. 127. Also see J. C. Coyajee, 'Ranade's work as an Economist', *Indian Journal of Economics*, Jan. 1942, Vol. XXII, No. 3, p. 308.

however, hardly a fair or manly position to take up.' He pointed out that a portion of this drain represented interest on foreign capital loaned to or invested in India, 'and so far from complaining, we have reason to be thankful that we have a Creditor who supplies our needs at such a low rate of interest'. Another portion represented the value of stores supplied to India, 'the like of which we cannot produce here'. The remainder consisted of expenditure on administration, defence, and payment of pensions, 'though there is good cause for complaint that it is not all necessary'. Ranade, therefore, advised his audience not 'to divert and waste your energies in the fruitless discussion of this question of tribute, which had better be left to our politicians'.[128]

In my opinion this passage does not really prove that Ranade did not believe that there was a drain of wealth from India or that it was economically injurious. As shown above, Ranade was one of the first persons in India to propagate the drain theory as early as 1872 and barely two years after his address to the Industrial Conference was delivered he condemned, in an even more significant address on 'Indian Political Economy', the foreign rule in India for entailing 'the economic drain of wealth and talents'.[129] Moreover, it should be noted that even in the passage quoted above he advised against a conference like the Industrial Conference, convened for the particular purpose of encouraging Indians to promote modern industry, taking up the question of the drain and not against 'the politicians' doing so. As a matter of fact, in 1881, the Poona Sarvajanik Sabha, of which Ranade was the Grey Eminence at the time, set forth the principal points on which the Indians were agitated, and one of these points was 'the Question of the Drain represented by the Excess of Exports over Imports; (and) how far can this Drain be stopped'.[130] Similarly, the Indian National Congress, of which Ranade was an

128. Ranade, *Essays*, pp. 186-7.
129. See above.
130. *JPSS*, July 1881 (Vol. IV, No. 1), p. 16.

important leader behind the scenes and in the formulation of whose resolutions he played an important part, declared the drain to be an important cause of India's poverty.[131] But even more significant than these indications is the fact that both of his close collaborators and pupils in matters economic, namely, G. V. Joshi and G. K. Gokhale, went on record in favour of the idea that the drain hindered industrial development and impoverished the people.[132] It would of course be wrong to say that the views of Joshi and Gokhale were also the views of Ranade. But, at the same time, it cannot be gainsaid that the former would not have adopted a stand that was fundamentally opposed to the principles of their preceptor.

What is true in the statement that Ranade and several other Indians were anti-drain theory is that Ranade, Joshi, Gokhale and perhaps many others among the Indian leaders did not favour making the drain the central question of Indian politics or of nationalist propaganda and agitation. Moreover, they would have perhaps preferred to shelve the question for some time. It should also be noted that, as has been brought out earlier, the Indian National Congress and perhaps the majority of other nationalist leaders—in fact, nearly all of them except Dadabhai and *Amrita Bazar Patrika* and a few others—looked upon the drain as only one of the many factors that were impoverishing the country.

VI. THE CRITICS AND THE DRAIN THEORY

To pass judgment on the scientific correctness of the economic policies of the national leadership and the arguments advanced by it to justify and explain these policies is not perhaps appro-

131. Resols. XII and IX of 1896 and 1897 respectively.

132. G. V. Joshi, *op. cit.*, pp. 640, 683, 793-4; Gokhale, *Speeches*, pp. 15, 87-8, 908-10, and *Welby Commission*, Vol. III, Qs. 18169-84. Gokhale's views were hesitantly put till 1905 (*Speeches*, pp. 15, 87-8, 908-10) but in his Presidential Address to the Indian National Congress of 1905 he firmly declared: 'A great and ruinous drain of wealth from the country has gone on for many years, the net excess of exports over imports (including treasure) during the last forty years amounting to no less than a thousand millions sterling' (*CPA*, p. 844).

priate in a study like this. This also applies to the nationalist critique of the drain. At the same time the fact that the drain theory came to be vigorously attacked by the official and non-official spokesmen, advisers, and defenders of the British regime in India, both during 1880-1905 and after, deserves to be taken note of. Moreover, it has been too readily assumed by later-day economists and writers that the nationalist attack on the drain stemmed from economic ignorance and lack of a proper understanding of the economic issues involved, if not from complete stupidity and rank nationalist prejudice. In this context we may examine the major lines of British attack on the drain theory and the nationalist reply thereto which shows that the nationalist critics of the drain were not steeped in ignorance of economic realities, that they anticipated a great deal of the criticism levelled against them later, that their critics have not done full justice to the depth and breadth of their economic insight, that they might have been right or wrong in their general formulation of the drain theory but they were certainly not simpletons in matters economic, and that, in fact, their attitude towards the drain was part of a comprehensive, inter-related, and integrated economic analysis of the Indian situation.

The British refutation of the drain theory began almost simultaneously with its enunciation and culminated in the rejoinder by Theodore Morison in his *The Economic Transition in India*, published in 1911, which was the most detailed and perhaps the best exposition of the point of view of the critics.[133] Two later British studies in the economic history of modern India by L.C.A. Knowles and Vera Anstey followed the broad outlines of Morison's critique of the drain theory.[134]

133. One of the earliest refutations of the drain theory came from John Strachey in the *Financial Statement for 1878* and in *The Report of the Indian Famine Commission*, 1880, Section VIII, para 4. A detailed refutation, however, came only in 1911 in Theodore Morison's, *The Economic Transition in India* (London, 1911), reprint of 1916, Chapters VIII and IX.

134. L.C.A. Knowles, *The Economic Development of the British Overseas Empire* (London, 1928), pp. 392-3; Anstey, *op. cit.*, pp. 509-11. Also see,

Interestingly enough, there was one broad point of agreement between the supporters and opponents of the drain theory, viz., that for part of its exports India received no economic equivalent. Thus, John Strachey remarked in the Financial Statement for 1878 that India's 'connection with England and the financial results of that connection, compel her to send to Europe every year about 20 millions sterling worth of her products without receiving in return any direct commercial equivalent. It is this excess of exports over imports which, in the language of the economists, is described as tribute.'[135] And Morison defined the 'drain' as the amount of India's 'exports in goods or money for which in that year she receives no material equivalent'.[136] The difference between the critics and the proponents of the drain theory, therefore, lay in their understanding of the exact economic meaning, origin, and consequences of this unrequited export surplus. The burden of the attack on the drain theory was as follows:

Firstly, it was said, the Indians overrated and exaggerated the drain, failing to make necessary deductions. They did not take into account the fact that part of the export surplus was accounted for by invisible imports, like shipping services, insurance charges on imports and exports, and expenditure incurred by Indian students and travellers abroad.[137] The transactions on capital account also tended to falsify the relative weight of imports and exports—imports of capital reducing the real export surplus and repayments of capital exaggerating

G. Findlay Shirras, *Poverty and Kindred Economic Problems in India* (Government of India, 1935, 3rd edition).

135. Para 52.

136. Morison, *op. cit.*, p. 193. Also see Chesney, *op. cit.*, p. 397; Knowles, *op. cit.*, pp. 392-3. Only J. D. Rees flew in the face of facts and asserted: 'Everything that goes out is paid for, and in such commodities—for instance, cotton goods and bullion—as the country most wants.... Suppose India ceased to export so largely, she would in proportion be paid less, and her peoples would accordingly suffer. It is they get the money or goods paid in return, and not the Government' (*op. cit.*, p. 302).

137. Morison, *op. cit.*, pp. 188-92; Knowles, *op. cit.*, p. 392; Anstey, *op. cit.*, p. 333; G. F. Shirras, *op. cit.*, p. 25.

it.[138] Lastly, while calculating the figure for export surplus, the heavy imports of gold and silver should also be taken into account.[139] Morison calculated the annual 'drain', which was taken by him to mean net export surplus including gold and silver transactions and imports of capital, to be of the order of 21 millions sterling.[140]

Secondly, the critics said that India received adequate economic equivalents for the excess exports. The biggest part of the drain arose on account of interest on borrowed capital, which in turn represented economic development and enrichment of India and not its impoverishment. With the assistance of foreign capital railways were constructed, irrigation was developed, and plantation and other industrial enterprises were started and developed, all of which earned profits, only a small part of which was sent out of the country as interest. Moreover, in addition to earning profits, these enterprises increased, directly or indirectly, national income. Even when all profits were taken out of the country, the wages and rent remained in India.[141] Indians should, therefore, be thankful to foreign investors for making good the deficiency in India's own capital resources.[142] The benefit to India was further enhanced by the fact that India's political connection with England enabled her to borrow in the cheapest market in the world. Even borrowing in India, supposing it had enough investible capital of its own, would have been costlier.[143] In fact, declared Morison, the saving to

138. Morison, *op. cit.*, pp. 184-6, 200-2, Knowles, *op. cit.*, p. 392.

139. Curzon, *Speeches III*, p. 388; Rees, *op. cit.*, p. 302. Even Knowles assumes that the excess of exports as calculated by the *drain-wallahs* did not include bullion imports (*op. cit.*, p. 393). Also see Morison, *op. cit.*, pp. 196, 223.

140. Morison, *op. cit.*, p. 223.

141. Strachey, *Financial Statement*, 1878, para 52; *Report of the Indian Famine Commission*, 1880, Section VIII, para 4; Chesney, *op. cit.*, p. 397; Strachey, *India* (1903), pp. 195-6, 235-6; Rees, *op. cit.*, pp. 80, 124, 289, 302; Morison, *op. cit.*, pp. 205 ff., 218-222; Knowles, *op. cit.*, p. 392; Anstey, *op. cit.*, p. 509; G. F. Shirras, *op. cit.*, pp. 23-4.

142. Morison, *op. cit.*, p. 224; Anstey, *op. cit.*, p. 509; G. F. Shirras, *op. cit.*, p. 24.

143. Rees, *op. cit.*, p. 302; Morison, *op. cit.*, pp. 239-41; Anstey, *op. cit.*, pp. 509-11.

India on account of the cheapness of its public debt was itself 'not very far from being enough to wipe out the whole of the "political drain" '[144] and the conclusion could not be resisted that India derived 'a pecuniary advantage from her connection with the British Empire'.[145] India's position in this respect might be compared with that of other countries like the U.S.A., Russia, Australia and Japan. The U.S.A. had a large export surplus due to its indebtedness to European countries, yet it was flourishing. It was in fact flourishing precisely because it was utilising foreign capital to make good the paucity of its own capital and developing its resources with the aid of foreign capital.[146] The example of these countries showed, moreover, that the political status of a nation had nothing to do with the existence of an export surplus.[147] So far as the unproductive debt of India was concerned the main thing to be kept in view was that it was very small as compared with the unproductive debts of other countries.[148]

Thirdly, so far as the Home Charges minus interest on public debt, remittance of their savings by Europeans employed in India, etc., were concerned, the critics agreed that India's case differed from that of other countries and was a peculiar one. However, these charges were not large; and, what was more important, India received as compensation for them the services of hard-working, selfless, and efficient British officials and non-economic welfare in the form of peace and order, a modern administration, and security against external aggression, or, in other words, 'good government'.[149] The return in the form of 'good government' could even be translated into

144. Morison, *op. cit.*, pp. 239-40. Also see G. F. Shirras, *op. cit.*, p. 24.

145. Morison, *op. cit.*, p. 241. Also see Anstey, *op. cit.*, p. 510.

146. Chesney, *op. cit.*, p. 397; Strachey, *India (1903)*, p. 194; Rees, *op. cit.*, pp. 289, 302; Morison, *op. cit.*, pp. 183, 204-16; G. F. Shirras, *op. cit.*, pp. 22, 24.

147. Morison, *op. cit.*, pp. 205, 229.

148. *Ibid.*, pp. 235-6; Strachey, *India (1903)*, p. 236.

149. Strachey, *Financial Statement*, 1878, para 52; *Report of the Indian Famine Commission*, 1880, Section VIII, para 4; Chesney, *op. cit.*, pp. 397-8; George Hamilton, *Hansard (4th series)*, Vol. XCIX, 1901, p. 1213; Strachey,

economic terms for without it India's industrial development would not have been possible;[150] in more positive terms, India had got an administration 'favourable to economic evolution cheaper than she could provide it herself'.[151]

The ideologues of the drain theory, and this meant Dadabhai Naoroji above all, anticipated and countered nearly all the points made by their critics. As a preliminary to an examination of their replies, it may be pointed out that they did not commit any of the gross errors attributed to them in the matter of definition and calculation of the drain. For one, they did include transactions in gold and silver in compiling their balance sheet of exports and imports.[152] Secondly, they discerned that capital transactions falsified the real balance of trade, that the real excess of exports was in fact greater than what appeared on surface from a mere study of foreign trade figures because imports included commodities financed by means of imports of capital, whether on public or private account and whether raised in England or reinvested by Englishmen in India, which would have to be repaid sooner or later through an excess of exports.[153] It would also be wrong to say that the Indian leaders could not differentiate between visible and invisible imports or between balance of trade and balance of payments. The invisible

India (1903), pp. 192-5; *Imperial Gazetteer of India* (1908), p. 194; Morison, *op. cit.*, p. 237; V. Lovett, *op. cit.*, p. 236; Knowles, *op. cit.*, p. 393; Anstey, *op. cit.*, p. 510; G. F. Shirras, *op. cit.*, p. 23. Underlying the attitude of the critics of the drain theory was the belief that the political drain was not only useful but inevitable. Thus, Chesney asserted in 1893 that, while the Home Charges and the savings taken away by the Europeans were 'no doubt a drain in the actual sense of the words', to make them a cause of complaint involved 'the absurd assumption that without English rule exercised by English officials, India would have attained of itself to a state of internal peace and prosperity. Those people must have a very slender acquaintance with Indian history or with the Indian people who can suppose that there is the smallest foundation for such a belief...' (*op. cit.*, p. 398). Also see Strachey, *India (1903)*, pp. 194-5.

150. Morison, *op. cit.*, p. 237.

151. *Ibid.*, p. 241.

152. Naoroji, *Essays*, pp. 36, 85, 88-9, 101, 112-4, *Speeches*, p. 665.

153. Naoroji, *Essays*, pp. 101, 113, *Poverty*, pp. 33, 137, 568-9, *Speeches*, pp. 382-3; Joshi, *op. cit.*, pp. 618, 638-9; G. S. Iyer, EA, pp. 338, 353; Gokhale, *Speeches*, pp. 87-8.

imports consisted primarily of payments for services rendered in England or India and shipping, insurance, and banking charges. The Indians not only dealt with these services but often made them their main grievance. Banking and insurance businesses and coastal shipping within India were obviously parts of foreign business enterprises in India and were covered by the nationalist examination of the advantages of foreign capital investment in India. As regards the critics' contention that a part of the excess of exports went to pay for shipping and insurance charges on imports and exports, Dadabhai Naoroji noted the fact but pointed out that the official manner of calculation of the value of exports and imports was such that these charges were already provided for in the existing excess of exports! This happened, he explained, in the following manner: The price of Indian imports was calculated in the official returns as their price at the Indian port and therefore already included their freight and insurance charges; on the other hand, the price of exports was taken as their price at the Indian port and therefore excluded the freight and insurance charges which would be paid and added to their price at the port of their import. Therefore the drain as calculated by him was free of this particular distortion.[154] As a matter of fact he went further and opined that if freight and insurance charges were added to the value of exports the drain would appear to be even larger than that calculated by him.[155]

The nationalist answer to the chief contention of the critics that the drain really represented payments for services of capital and personnel was based on the very subtle, profound, and fundamental criteria of usefulness and essentiality. If a particular service was useful and could be acquired only through expenditure abroad, they were willing to bear the drain on its account. On the other hand, if the service was useless or even

154. Naoroji, *Speeches*, pp. 320-1, 382, 666. Also see Naoroji, *Poverty*, pp. 131, 138, 196. Cf. Anstey, *op. cit.*, p. 333 f.n.: 'It should be noticed that the declared value of imports includes, but that of exports excludes, freightage.' Also E. Law, *LCP*, 1904, Vol. XLIII, p. 538.

155. Naoroji, *Speeches*, pp. 320-1, 666.

if useful could be had within India itself, the drain on its account was objectionable.

The Indian reply to the assertion that a major part of the drain represented interest on productive public debt and profits of foreign private capitalist enterprises, both of which, in turn, connoted economic development and enrichment of India, was a multi-pronged one. They pointed out that, firstly, foreign capital was not essential. The need for it arose because India's own capital had been and was being drained out by its rulers. In the absence of the drain, India might have itself financed railways, etc., and, in general, met its own requirements of capital. In reality, therefore, foreign capital replaced and not augmented India's own capital. If foreign capital had been a genuine addition to indigenous capital, it might have been welcome. Moreover, foreign capital imported into India was only India's own capital drained earlier. Therefore there was no genuine foreign capital invested in India.[156]

Secondly, the Indian leaders stressed that foreign capital was not as beneficial as made out to be by its supporters. The railways were not an unmixed blessing and were in any case being pushed on at a speed not needed by the country.[157] Public debt acquired for the purpose of construction of those railways which were superfluous was obviously neither useful nor essential. Private foreign capital carried away not only interest but also all the profits of enterprise, leaving the country without any secondary benefits of capital reinvestment.[158] Moreover, the railways had not yielded any profit till the end of the 19th century.[159] The benefit to the country in the form of wages was of course there. But a part of the wages were paid to the foreigners and were in the nature of a drain.[160] Furthermore,

156. See Chapter III above, Naoroji, *Poverty*, pp. 33-4, 38, 566-9, *Speeches*, pp. 133, 319, 322, 615, Appendix pp. 3, 7-8, 55-6; G. S. Iyer, EA, pp. 127-8; Gokhale, *Welby Commission*, Vol. III, Qs. 18169, 18183-4.
157. See Chapter V above.
158. See Chapter III above.
159. See Chapter V above.
160. See Chapters III and V above.

in view of the miserable conditions of work and the paltry amount of wages paid in foreign enterprises, the benefit to India was very meagre.[161]

The Indian leaders further contended that foreign capital was injurious to the country since it suppressed indigenous capital and prevented its useful employment by tending to monopolise the industrial field,[162] and that, in general, foreign capital stood not for the development and enrichment of India but for its exploitation, impoverishment and despoliation.[163]

Thus to the assertion that India benefited by getting foreign loans at a cheaper rate the Indian reply would have been that the loans were not needed at all and were not generally usefully employed, that since they were nothing but India's own drained capital the question of their cheapness did not arise, and, finally, that even if higher interest was paid on loans raised in India at least the interest remained and 'fructified' within the country while the lower rate of interest on foreign loans still produced a drain.

The Indian leaders also denied that India's case would compare with that of the U.S.A., which also had at the time an export surplus. Apart from the fact that the U.S.A. usually paid only interest on borrowed capital, keeping the profits of enterprise within it,[164] there was one other big and startling difference between its export surplus and that of India. The U.S.A. was paying at this time through its export surplus for loans it had taken in the past from foreign countries, which meant that it had an import surplus in the past. Alternatively, its current export surplus represented deferred receipts. But India's case was different. It was not paying for past loans for India's export surplus being calculated only after capital imports had been included in the imports the money borrowed in the past was paid for at that time itself with exports as far as balance of payments position was concerned. Thus, on the

161. See Chapters III and VIII above.
162. See Chapter III above.
163. *Ibid.*
164. *Ibid.*

one hand, India had no import surpluses in the past, except for a few years after the Revolt of 1857 and then also the amount was paltry, and, on the other, India's export surpluses gave it no claims over other countries in the future and therefore no import surpluses would compensate it later on. Consequently, India's export surplus was that strange phenomenon—a capital transaction without any past or future; it was extinguished in the present just at the time of its creation.[165]

In spite of all these arguments, the proponents of the drain theory were often agreeable to leave out of their calculations of the drain the cost of servicing the productive public debt.[166] It is also to be noted in this respect that, keeping in line with their criterion of usefulness, they had not one word of criticism for the construction of irrigation works with borrowed capital. Similarly, some of them supported the policy of borrowing abroad for the purpose of developing the productive resources of the country.[167]

The Indian leaders further pointed out that a part of the Indian public debt was entirely political in nature and useless, inessential, and unproductive in character and that there was no economic equivalent in return for it.[168] Tracing the origins of the ordinary public debt, which amounted to nearly 69 millions sterling in 1858, they observed that it had been brought into existence during the period of the East India Company's rule in order to meet the expenses of the wars leading to the British conquest of India and to enable India to pay the Company's dividends. To this had been added the cost of the transfer of Indian administration to the Crown in the form of compensation paid to the shareholders of the Company (The East India

165. Naoroji, *Poverty*, pp. 37, 131-2, 136 f.n., 141, 568-9, 574, *Speeches*, pp. 382-3; *Mahratta*, 25 May 1884; *New India*, September 1902; and Chapter IV above.

166. Naoroji, *Poverty*, pp. 3-4, 565, *Speeches*, pp. 133, 319, 596; Dutt, *EHII*, p. 375.

167. Joshi, *op. cit.*, pp. 87, 746; *Indian Spectator*, 26 October 1884; *Mahratta*, 9 Aug. 1885. As pointed out earlier, in the 1860's even Dadabhai wanted money to be borrowed abroad for the purpose of development of railways (*Essays*, pp. 124-6, 132).

168. Naoroji, *Speeches*, p. 319; Dutt, *EHII*, p. xv; G. S. Iyer, *EA*, p. 353.

Stock) and the cost of the suppression of the Revolt of 1857. Thus long after 1858 India was paying for its conquest by an alien power.[169] Unjust financial relations between India and England, exemplified by the imposition on India of the costs of Afghan War of 1878, the Egyptian Wars, the Burma War and the Frontier Wars of 1890's, continued to increase the burden of the ordinary public debt after the assumption of India's rule by the Crown.[170] Thus a large part of the Indian public debt—nearly 100 millions sterling—was, in the opinion of the nationalists, clearly not a business debt and therefore not morally due from India and the cost of its servicing was an obvious drain of wealth. However, Dadabhai for one was sometimes willing to make an allowance even for this part of the debt.[171]

So far as the stores were concerned, they were already included in the imports[172] and were, moreover, in the nature of a drain because they were inessential in view of the fact that they could have been readily produced at home.[173] But even payments for the stores would the Indian leaders allow.[174]

One part of the drain which the drain wallahs would not excuse under any circumstance was the expenditure on European employees of the Government of India. Payment for their services was precisely the heart of the drain theory. Obviously, India received no economic equivalent in return for this part of the drain. On the other hand, the Indian leaders denied that the drain under this head was compensated for by non-economic services rendered.[175] These services were not essential to India and were in fact not needed by it since they could be performed

169. Naoroji, *Specches*, pp. 319-20; Dutt, *EHI*, pp. 398-9, 406-9, *EHII*, pp. xv-xvi, 215-20, 373-5, 604. In other contexts too Indian leaders pointed out that the Indian empire had been acquired at the cost of Indian blood and Indian money. Naoroji, *Poverty*, pp. 567, 640, *Speeches*, pp. 221-2; Gokhale, *Speeches*, p. 1207; Dutt, *EHI*, p. 399.

170. Naoroji, *Speeches*, pp. 319-20; Gokhale, *Speeches*, pp. 1205-06; Dutt, *EHII*, pp. xv-xvi, 604. Also see Chapter XII, section on Military Expenditure.

171. Naoroji, *Speeches*, pp. 320-1.

172. Naoroji, *Poverty*, pp. 35, 37.

173. See f.n. 67 above.

174. Naoroji, *Poverty*, p. 565.

175. See, in particular, Naoroji, *Speeches*, Appendix pp. 42-3, 54.

equally well and more cheaply by Indians themselves.[176] Payments for these services being therefore compulsory and in the nature of an imposition precisely represented a drain. Interestingly enough, the Indian leaders did not object to the employment of foreign technicians in Indian factories[177] or of qualified teachers in Indian universities;[178] and they campaigned actively for increasing expenditure on the education of Indian students abroad.[179] The drain under these heads was considered to be both useful and essential. Secondly, the nationalists pointed out that a large part of the military and civil services of the Government of India were maintained not for India's benefit but for purposes that served the interests of Britain and its citizens.[180] Any expenditure on this part of the services was therefore clearly a drain. Even on the plane of law and order, moreover, Dadabhai Naoroji questioned the official assumptions and argued that India was not really properly protected since the British themselves were left free to exploit it.[181]

Some of the Indian leaders also remarked that whatever the non-economic explanation or justification of the payments on European services might be from a purely economic point of view they were a drain.[182] Taunting the British in this respect, Dadabhai Naoroji asked whether they would agree to have foreigners, say French youth, occupy all the lucrative posts and the Front Benches in England even on the plea of giving useful service.[183] He also pointed out that the English themselves had taken strong objection to the drain of wealth from England to

176. Naoroji, *Speeches*, pp. 196-7, 395 ff., 484-5, 496-7, 506, Appendix pp. 6, 25, 32, 47, 73, 171-2; Gokhale, *Speeches*, pp. 908-09. As early as 1866, Dadabhai wrote a paper entitled 'The European and Asiatic Races' to show that the people of India and Asia possessed as high a moral and intellectual character as the people of Europe (*Speeches*, pp. 535 ff.).

177. Naoroji, *Speeches*, Appendix p. 47.

178. Gokhale, *Speeches*, p. 62.

179. See Chapter II above.

180. See Chapter XII above.

181. See below.

182. Joshi, *op. cit.*, pp. 640-1; Wacha in CPA, p. 605; Gokhale, *Speeches*, p. 908.

183. Naoroji, *Poverty*, p. 227, *Speeches*, p. 134.

Italy and the Papacy during the 16th century.[184]

Finally, as if to counter the argument that India received non-economic benefits from the employment of British citizens, the Indian leaders pointed to, and threw into the scale, non-economic losses, such as the moral loss, the loss of wisdom and experience, and the stunting and emasculation of the entire people. The nationalist case in this respect was presented eloquently by G. K. Gokhale in his evidence before the Welby Commission in 1897:

> The executive costliness of the foreign agency is not, however, its only evil. There is a moral evil which, if anything, is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend, in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every school boy at Eton or Harrow may feel, that he may one day be a Gladstone, a Nelson, or a Wellington, and which may draw forth the best efforts of which he is capable, is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self-governing people feel cannot be felt by us. Our administration and military talents must gradually disappear, owing to sheer disuse, till at last our 'lot, as hewers of wood and drawers of water in our own country, is stereotyped.[185]

It may be pointed out in this respect that the Indian leaders must have been genuinely bewildered by the situation. When they talked of non-economic injuries and spiritual degradation produced by national subservience, their rulers lectured to them on the economic benefits of foreign rule. When they accepted the material standard and complained of economic losses pro-

184. Naoroji, *Poverty*, pp. 52-3. Also see Wacha in CPA, p. 607.

185. Gokhale, *Speeches*, p. 1188. Also see, for example, Naoroji, *Essays*, p. 123, 374, *Poverty*, pp. 56-8, 203-05, 225, 631, *Speeches*, p. 134, Appendix p. 171; C. Sankaran Nair in CPA, pp. 388-9; Gokhale, *Speeches*, p. 120.

duced by foreign rule they were asked to turn their attention to non-economic and spiritual benefits. They could rightly object to this mixing up of economic and non-economic issues and the circular reasoning involved. In any case Indian leaders were to learn, especially after 1905, to effectively combine their spiritual urges and economic needs to press against foreign rule.

As to the final assertion of the critics of the drain theory that in return for the drain India received an administration that was favourable to economic development, the entire national leadership rose up in protest. As the entire analysis of the national leadership's economic policies shows, one question on which all the Indian leaders, including Justice Ranade and others who were otherwise not in favour of over-emphasising the drain, were agreed was that the British administration in India was inimical to economic growth of the country. In fact, their entire economic agitation was geared to the reversal, in as many fields as possible, of this deleterious trend of official policies.

The above analysis of the drain theory and its defence by its advocates clearly brings out the fact that in their hands the theory was not an isolated criticism, but was a part of their assessment of the official policies towards industry, railways, foreign trade, foreign capital, currency and exchange, land revenue, labour, and taxation and expenditure. The theory was intimately and intricately linked up with nearly every aspect of the economic policies of the Indian leadership. As a matter of fact, Dadabhai Naoroji, R. C. Dutt, and, on a popular plane, the nationalist newspapers took in the entire range of economic issues and used the drain theory to bring into focus the entire nationalist critique of the official economic policies and to bring to light the exploitative character of the British rule in India. In the popular mind the drain could epitomise and give a visible form to the economic exploitation, whose mysteries otherwise only the economists had the time and the ability to unravel in all their intricacies. It was the anvil on which the hammer of Indian nationalism was to be made to strike with all its concentrated energy.

VII. POLITICAL IMPLICATIONS

Whatever the economic significance of the drain theory, its real importance for the Indian national movement lay in its political implications, for it laid bare and enabled the Indians to arrive at the chief contradiction of the Indian situation of the time, namely, the contradiction between the Indian people and British imperialism. The process of this realisation may best be studied by tracing the manner in which the formulation and propagation of the drain theory moulded in the end the political outlook of its chief theoretician, Dadabhai Naoroji.

First of all, the very definition of the drain and the theory of its causation led Dadabhai to deny that it was the consequence and accompaniment of India's economic backwardness and to assert instead that it was all due to India's political position or to the fact that India was being ruled by a foreign power. In his essay on 'The Poverty of India' he laid stress on the fact that Britain was able to keep back a large part of India's exports chiefly because of 'the political position it holds over India'.[186] In his letters to Lord Welby, written in 1896, he repeatedly emphasised that the drain was 'no simple matter of business to us' but was all simply the result of 'the unnatural administration and management of expenditure' of India's resources by an alien country.[187] So far as charges in England were concerned, they were, he contended, 'forced upon India by sheer tyranny and without any voice or consent of India'.[188] The entire political aspect of the question led him to exclaim: 'Truly has Lord Macaulay said: "The heaviest of all yokes is the yoke of the stranger." '[189] Later, in 1897, in the course of his cross-examination before the Welby Commission, he referred to the political roots of the drain in unambiguous terms when he remarked that 'the inherent and essential defect' of British rule in India was 'the financial, political, and intellectual drain, which is

186. Naoroji, *Poverty*, p. 33.
187. See, for example, Naoroji, *Speeches*, pp. 316-7, 319, 329, 361, 378.
188. *Ibid.*, p. 339.
189. *Ibid.*, p. 322. Also see p. 668.

inseparable from a remote foreign dominion exercised in disregard of the sound principles' that the Indians must have their full share of public employment and a voice in their own expenditure.[190]

The conclusions emerging from a pursuit of the drain theory slowly began to colour Dadabhai's understanding of and his attitude towards the nature and purposes of British rule in India. While generally proclaiming the almost providential character of British rule he began to speak a different language when dealing with the drain. Slowly and almost against his own wishes he began to feel and also announce publicly that the beneficial, benevolent, and philanthropic nature of British rule was in reality a myth. As has already been brought out in the earlier part of this chapter, according to Dadabhai the responsibility for the lack of industrial growth and the poverty of the people lay entirely on the drain and the policy of the rulers resulting in such drain. He denied that the other supposed benefits of British Rule, viz., law and order, security of life and property, protection against foreign aggression, and protection against famine, were of any avail to Indian people when accompanied by the drain. In so far as anti-famine measures were concerned, he opined in 1880 that the rulers of India could not claim any real credit for them since they themselves were mainly responsible for the famines for it was 'the drain of India's wealth by *them* that lays at their door the dreadful results of misery, starvation, and deaths of millions'.[191] Nor did India derive any real benefit from the security that British rule provided against external aggression for 'the English rulers stand sentinel at the front door of India, challenging the whole world, that they do and shall protect India against all comers, and themselves carry away by a back-door the very treasure they stand sentinel to protect'.[192] As a matter of fact, far from protecting the country,

190. *Ibid.*, Appendix p. 3. It may also be pointed out that several other Indian leaders also took note of the political roots of the drain. See Joshi, *op. cit.*, p. 683; Ray, *Poverty*, pp. 7, 242; Gokhale, *Speeches*, p. 15.

191. Naoroji, *Poverty*, p. 212.

192. *Ibid.*, pp. 211-2.

British rule was 'an everlasting, increasing, and every day increasing foreign invasion' that was 'utterly, though gradually, destroying the country'.[193] England was, in fact, 'the worst foreign invader she has had the misfortune to have'.[194] As regards the benefits of security of life and property, Dadabhai had the following remarks to make:

> The *romance* is that there is security of life and property in India; the reality is that there is no such thing. There is security of life and property in one sense or way—i.e., the people are secure from any violence from each other or from Native despots. So far there is real security of life and property, and for which India never denies her gratitude. But from England's own grasp there is no security of property at all, and, as a consequence, no security for life. India's property is not secure. What is secure, and well secure, is that England is perfectly safe and secure, and does so with perfect security, to carry away from India, and to eat up in India, her property at the present rate of some £ 30,000,000 or £ 40,000,000 a year.... I therefore venture to submit that India *does not* enjoy security of her property and life, and also, moreover, of 'knowledge' or 'wisdom'. To millions in India life is simply 'half-feeding', or starvation, or famines and disease.[195]

With regard to law and order, Dadabhai observed in 1896:

> There is an Indian saying: 'Pray strike on the back, but don't strike on the belly.' Under the native despot the people keep and enjoy what they produce, though at times they suffer some violence on the back. Under the British Indian despot the man is at peace, there is no violence; his substance

193. *Ibid.*, p. 224.

194. *Ibid.*, p. 225.

195. *Ibid.*, pp. 224-5. Addressing a London audience on 31 January 1901, he repeated: 'The way you secure life and property is by protecting it from open violence by anybody else, taking care that you yourselves should take away that property. The security of life, were it not a tragic subject, would be a very funny one. Look at the millions that are suffering day by day, year after year, even in years of good harvest' (*Speeches*, p. 228).

> is drained away, unseen, peaceably and subtly — he starves in peace and perishes in peace, with law and order![196]

And added: 'I wonder how the English people would like such a fate.'

The drain theory had a deep impact on Dadabhai's understanding of the nature and character of British rule in India. Thus, he remarked near the conclusion of his paper on 'The Poverty of India' that owing to the drain 'the whole rule moves in a wrong, unnatural, and suicidal groove'.[197] In his famous speech in the House of Commons on 12 February 1895, he declared that 'British India was indeed British India, and not India's India',[198] and added: 'In a way a great mass of the Indians were worse off than the slaves of the Southern States.... The slaves worked on their masters' land and resources, and the masters took the profits. Indians have to work on their own land and resources and hand the profits to the foreign masters.'[199] Similarly, in a letter to Lord Welby, dated 31 January 1897, Dadabhai pleaded: 'They (British people) call us fellow-citizens, and they must make their word a reality, instead of what it is at present, an untruth and a romance—simply a relationship of slaveholder and slave.'[200] Dadabhai was, therefore, led to exclaim that the 'face of beneficence' was a mask behind which exploitation of the country was carried on by the British though 'unaccompanied with any open compulsion or violence to person or property which the world can see and be horrified with...'[201] and to assert that 'under the present evil and unrighteous administration of Indian expenditure, the romance is the beneficence of the British Rule, the reality is the "bleeding" of the British rule'.[202] By 1904, Dadabhai had nothing but hard and harsh words left to describe British rule over India. In his

196. Naoroji, *Speeches*, p. 389.
197. Naoroji, *Poverty*, p. 125.
198. Naoroji, *Speeches*, p. 153.
199. *Ibid.*, pp. 153-4.
200. *Ibid.*, p. 400. Also see p. 387.
201. *Ibid.*, p. 328.
202. *Ibid.*, p. 329.

speech at the International Socialist Congress held at the Hague in August 1904, he described the British rule as barbaric, the words actually used by him being:

> What did barbarity mean? Did it not mean that, when a savage knocked down a weaker man and robbed him, an act of barbarism had been perpetrated? The same applied to nations, and this was the way in which the British Government was treating India. This must end. Imperialism of brute force was barbarism.[203]

The drain theory deepened Dadabhai's political understanding in another way too. He slowly began to give up the traditional nationalist belief that everything that went wrong in India was the fault of the British officials in India who were selfish and who perverted the wishes of the Home authorities. In his cross-examination before the Welby Commission he laid emphasis not on the evil working of the officials but on the evil machinery or system of government which produced the drain. Thus he said:

> The general attack I made is not so much upon the Government as officials, but upon the system upon which they are working, that system being an evil system. They cannot help but do what of course would produce unsatisfactory results.... It is the cause of the evil system upon which they are working, and which requires to be considered and modified so that they themselves may be able to do their work with greater satisfaction.... [204]

It may also be pointed out that while Dadabhai *derived* his understanding of the nature of British rule from his theory of

203. *India*, 2 Sept. 1904. He also sarcastically remarked: 'The British took wealth out of the country, so when there was a poor harvest millions perished of hunger, and this was the testimony they gave of the benevolent nature of the British Administration.'

204. Naoroji, *Speeches*, Appendix p. 29. Also see *ibid.*, Appendix pp. 4-5, 27, 78, and in *CPA*, p. 158. He still absolved the people and Parliament of Britain of all blame in the matter of the drain, but fully indicted the British Indian authorities, the Secretary of State for India and the British Government (*ibid.*, Appendix pp. 58-60).

the drain, some other nationalist leaders *utilised* the theory to expose the exploitative character of British rule. *The Amrita Bazar Patrika* of 9 June 1900, for example, defended the drain theory on the ground that it provided a visible refutation of the theory of white man's burden:

> It must be always borne in mind that the understanding is that England should never exact tribute from India. The white man, it is believed in England, bears the burden of the coloured people, but never makes the latter bear his own burden. The British Government will never admit that it takes a pie from India. But if it is now shown that England not only takes a tribute but a very large one, the English people will be obliged to feel that they have some reparation to make to their dependent and helpless ward.

The understanding regarding the nature, character, and purposes of British rule in India that Dadabhai had arrived at in the course of his life-long campaign against the drain was bound to lead him on to the road of political militancy. And so the man who started his political career with the most moderate of political demands became slowly, year by year and degree by degree, more and more extreme in his politics and political demands.

On the narrow plane of administrative services, Dadabhai habitually referred to the European employees of the Government of India as 'leeches',[205] and as early as 1885 he put forward the demand that only 'the highest power of control and supervision' should remain in English hands and that all the other services should be manned by Indians.[206] In 1897, he spelled out this demand further and asked that only the Viceroy, the Governors, and the Lieutenant-Governors should be English.[207]

Dadabhai was slow in putting forward radical demands or slogans on a higher, political level, and initially expressed his

205. See, for example, Naoroji, *Poverty*, p. 227.
206. Naoroji, *Speeches*, p. 120.
207. *Ibid.*, Appendix p. 74. Also see *ibid.*, Appendix pp. 43, 75.

growing extremism in the negative form of issuing warnings of dire consequences that would follow if the drain was not checked. Gradually and imperceptibly, however, these warnings were transformed into direct political slogans and demands. As early as 1880, he cautioned the British against comparing themselves with the past Indian rulers. 'If the British do not show themselves to be vastly superior in proportion to their superior enlightenment and civilisation, if India does not prosper and progress under them far more largely,' he declared, 'there will be no justification for their existence in India.' Moreover, the past drain might be forgiven and forgotten as a misfortune but a similar drain in the future after the issue had been clarified would, 'in plain English, be *deliberate* plunder and destruction'.[208] In 1896, he observed that, though Indian people still had an abiding faith in the soundness of the conscience of British people, 'the result of the present system would be to make the Indians to come to the conclusion that the Indians shall never have any chance "except by their getting rid in the first instance of their European rulers" '.[209] And, again, if the drain continued British rule would also continue to be 'a foreign crushing tyranny, leading the people to yearn... to get rid of their European rulers'.[210] In his letter to Lord Welby on 'The Causes of Discontent', the great protagonist of loyalty to British rule, who had loudly declaimed at the second session of the Indian National Congress: 'Let us speak out like men and proclaim that we are loyal to the backbone',[211] thundered forth even more eloquently: 'Is it possible for any sane man to think that any one nation can hold another in slavery and yet expect loyal devotion and attachment from it? It is not

208. (Emphasis added). Naoroji, *Poverty*, p. 218. Also p. 226.

209. Naoroji, *Speeches*, p. 334. He also wrote: 'The affection of the Indian people is the only solid foundation upon which an alien rule can stand firm and durable, or it may some day vanish like a dream' (*ibid.*, p. 332).

210. *Ibid.*, p. 368.

211. Naoroji in *CPA*, p. 8.

nature, not human nature. It has never happened and will never happen'.[212] By 1900, sentiments of disloyalty were clearly creeping into the loyal mind of Dadabhai, though perhaps unconsciously. In that year, he gave another warning to the rulers that Indians had stood their exploitation by the British too long and that it would be wrong to believe that their 'loyalty cannot fail, that it will continue in the same condition in which it is at the present'.[213] The Indian people 'were now beginning to understand the position and might be tempted, unless something was done to ameliorate their condition, to use *force in order to destroy force*'.[214] It was now just a matter of time before Dadabhai would arrive at the inevitable conclusion: India must be politically free if the drain was to be checked; and it was a great tribute to the freshness, youth, and vigour of Dadabhai's heart and brain that at the ripe age of 79, when the arteries are hardened to the last drop, he made the qualitative leap from a belief in the lasting nature of British rule over India[215] to the demand for self-government. In the famous speech on the drain at the International Socialist Congress in 1904, which created a veritable tremor in the nationalist circles, particularly moderate circles, in India, Dadabhai declared his political faith in the following unambiguous terms:

> The remedy was to give India self-government. She should be treated like other British colonies. The Indians would maintain their connexion with England, but they resented being treated as slaves. They demanded the right to govern themselves, and to share in the general progress made by the nations of the earth.[216]

That this declaration of his was no sudden outburst inspired by the radical atmosphere of the Socialist Congress was proved

212. Naoroji, *Speeches*, p. 392.
213. *Ibid.*, p. 223.
214. (Emphasis added). Naoroji, *Poverty*, p. 659.
215. See, for example, Naoroji, *Speeches*, Appendix pp. 21-2, 25-6.
216. *India*, 2 Sept. 1904.

when a year later, in his message to the Benares session of the Indian National Congress, Dadabhai categorically asserted:

> Without self-government the Indians can never get rid of their present drain, and the consequent impoverishment, misery, and destruction. No palliative of any kind whatever, no mere alteration and tinkering of the mechanical machinery of administration, can and will do any good at all. The drain can only be stopped by the Government, by the people themselves.... Self-government is the only remedy for India's woes and wrongs.'[217]

It should also be remembered that it was Dadabhai, who proclaimed in his Presidential Address to the historic Calcutta session of the Indian National Congress, the future goal of the national movement when he declared that all the political demands of the Indian people could be summed up in one word '"self-government" or *Swaraj*, like that of the United Kingdom or the colonies'.[218]

The political significance of Dadabhai's extreme view that the drain was the most important cause of India's poverty may be brought out even more clearly if it is compared with the political significance of the other points of view which looked upon lack of modern industry, or excess of land revenue, or over-taxation, or absence of political rights, as the chief cause of this poverty. Before making such a comparison, however, two aspects of the comparison need to be kept in view for the price of ignoring them would be loss of proper perspective. Firstly, in the ultimate analysis even Dadabhai attributed the poverty of India to lack of industry — the only difference being that he traced the latter to the drain. Secondly, even what may be called the 'industry theory' of poverty, when pushed to its logical conclusion, led to the emergence of the

217. Naoroji, *Speeches*, p. 671. He had expressed similar sentiments in December 1903 when in a message to the *Hindustan Review and Kayastha Samachar* he had demanded 'Self-Government under British Paramountcy' (*HR*, Dec. 1903, p. 474).

218. Naoroji in *CPA*, p. 863. Also see pp. 883, 886.

radical nationalist-political inference that the British Indian Government worked for the interests of British trade and industry and that Indian industry could not, therefore, fully come into its own till a political regime was established which would primarily serve Indian industrial interests. Consequently, many of the nationalist radicals of the late 19th and early 20th centuries, such as B. G. Tilak, Lajpat Rai, and B. C. Pal, campaigned vigorously for the removal of all restrictions on the growth of Indian industry. Similarly, the 'land revenue theory' and the 'taxation theory' of poverty also sometimes led to radical political demands. All this has, however, already been brought out in this study.

The central difference between the political consequences of the drain theory and those of all the other theories of India's poverty lay in the fact that while the latter could to some extent and for some time be reconciled with the existence of foreign rule the drain theory could not be.

Take the 'industry theory', for example. While highlighting and bringing out in many ways the conflict that arose because of the clash between the industrial interests of India and those of Britain, it, at the same time, tended in several other ways to soften the political impact of this conflict. Firstly, according to the reckoning of the supporters of the 'industry theory', British regime was not an unsurmountable barrier in the path of India's industrialisation. Some industrial growth could occur even under the existing political and economic conditions. There was, therefore, no inherent and total compulsion to link the struggle for industry with the struggle for self-government. Political freedom, for example, was not one of the minimal conditions that Justice Ranade laid down for the growth of Indian industry, in spite of his emphasis on state aid.[219]

Secondly, the whole issue was made more complicated by the fact that the British Indian Government itself often spoke

219. See his inaugural address to the first Industrial Conference 1890. *Essays*, pp. 180-94. Also see *ibid.*, pp. 119-20.

in favour of industrialisation and sometimes showed greater verbal zeal for it than was exhibited even by the Indians themselves.[220] Moreover, the Government of India did take some steps, however paltry, for the development of industry, culminating in the creation of a separate imperial Department of Commerce and Industry in 1905.[221] In any case, there always existed the possibility that government policy towards tariffs, stores, technical education, state-aid, etc., could be changed in the direction sought by the Indians, as happened, to a limited extent, after 1918 following the recommendations of the Indian Industrial Commission.[222] Once a change in the direction of government policy had taken place, the government could no longer be declared to be prima facie anti-industry. From the very beginning, the proponents of the industry theory had had to argue in a complex way and try to show that what the government was doing was not enough and that a purely Indian Government would have done more. This was not an easy task and had to be undertaken with the help of experts, and in politics, when a case has to be argued with an expert's aid, it is as good as lost so far as the mass of people are concerned. Consequently, while the emphasis on industrial growth as the chief remedy for India's poverty could make a political appeal to the educated classes, it could not become an instrument for deepening the political cleavage between the people and the government. On the contrary, the spokesmen of the government could plausibly

220. For example, as early as 1858, it had been laid down in the Queen's Proclamation: 'It is our earnest desire to stimulate the peaceful industry of India.' In his famous St. Andrew's Speech in 1888, Dufferin declared that only two remedies existed for removing the poverty of the country—'the expansion of manufacturing industries and emigration' (*Speeches*, p. 242). And Curzon could profess in 1903 that 'among the subjects which have attracted my keenest attention since I have been in India has been the development of Indian industrial enterprise, in which, in my view, lies one great hope for India in the future' (*Speeches III*, p. 114). Also see *ibid.*, pp. 117, 133, 139-41. Also see G. S. Iyer, *EA*, pp. 101-02.

221. *Report of the Indian Industrial Commission*, 1916-18, *op. cit.*, pp. 75-8, 105-07; Anstey, *op. cit.*, pp. 210-3. Justice Ranade declared in 1890: 'After all Government help can do but little, save pioneering work. The Government of India is anxious to help us' (*Essays*, p. 190).

222. Anstey, *op. cit.*, pp. 216-26.

argue that industry provided a field of common endeavour for both the government and the nationalists.[223] Thirdly, the propounders of the 'industry theory' had to concede that while a part of the blame for industrial backwardness of the country could justifiably be laid on the rulers, another large part of it had to be borne by the Indians themselves who did not properly harness the existing resources of capital, men, enterprise, and technique.[224] The conclusion was obvious: The Indians therefore must not fritter away all their energy in criticising and blaming the government; they must take a constructive approach; and expend a part of their energy in self-effort.[225] The diluting effect of the self-effort approach on the nationalists' political and economic agitation against the government was fully recognised by many of the government spokesmen, who tried to utilise it to shift the blame for the industrial and economic backwardness of the country from their own shoulders to those of the Indians themselves. Thus, for example, after declaring in 1888 that 'by removing restrictions on trade and by the multiplication of roads, railways, and the facilities of conveyance, we can foster manufacturing and mercantile activity, which we are doing; but the actual creation of manufacturing centres must be the work of private enterprise', Dufferin could chide the leaders of the Indian National Congress: 'But what the Government cannot do, the gentlemen to whom I am referring might very usefully employ themselves in doing.'[226] It is of some interest in this respect to record an interesting

223. Even Ranade declared that in the industrial field there was 'really no conflict of interests between the Rulers and the Ruled, who all alike desire to promote the Industrial and Economic Progress of the country' (*Essays*, p. 180). Also see *ibid.*, pp. 181, 190.

224. Ranade, *Essays*, pp. 187-8, 193-4; A. S. Mudaliar, *Rep. INC for 1886*, p. 65; and Chapter II above. Cf. J. C. Coyajee, 'Ranade's Work as an Economist', *Indian Journal of Economics*, Jan. 1942, Vol. XXII, No. 3, pp. 307-16.

225. Ranade, *Essays*, pp. 119-20, 187, 190-4; Joshi, *op. cit.*, pp. 805-06, 814; and Chapter II above.

226. Dufferin, *Speeches*, p. 242. Also see Curzon, *Speeches III*, pp. 139-41. Pherozeshah Mehta went to the extent of openly accusing the Europeans of trying to use the movement for industrial development as a device to wean the Indians away from political agitation (*Speeches*, p. 817). Earlier in March 1904, Curzon had declared: 'I do not think that the salvation of

incident from the history of the Indian National Congress. The Congress appointed in 1901 a committee to report to its next session on the desirability of adopting two resolutions which would place a major share of responsibility for the 'state of economic depression of the country' on 'want of knowledge of methods of production and distribution', urge the Indians to acquire and spread such knowledge, acknowledge that organisation of capital and credit was 'one of the most important economic questions that required solution at our hands' and urge the Indians 'to make sustained and extensive efforts to organise capital and remove one of the many difficulties in the way of improvement of our economic condition'.[227] In these resolutions was to be embodied the very spirit of Justice Ranade's famous address at the first Industrial Conference held at Poona in 1890; their promoters perhaps wanted to pay homage to the memory of the man who had inspired the Congress and the country for nearly three decades. But the resolutions were never passed. We do not know the reasons for their rejection by the committee or the Congress. It can, however, be surmised that the leaders of the Congress must have recognised that the resolutions, if adopted, would tend to divert nationalist energy away from the main task of building up a steady stream of nationalist pressure against the government. The Congress therefore stuck to its negative, non-constructive, agitational approach and continued to cast the blame for India's poverty on factors—namely, decline of indigenous manufactures, the drain of wealth, excessive taxation and excessively costly character of administration, and over-assessment of land—[228] for which the government alone could be held responsible.

Thus, by leading to the acceptance of British rule and some of its basic economic policies and to the belief that the chief weakness of the Indian economy, viz., industrial backwardness, was primarily the product of India's own mistakes and was

India is to be sought in the field of politics at the present stage of her development' (*Speeches III*, p. 49).

227. Resol. XVI of INC for 1901.

228. Resol. III of INC for 1902 and Resol. III of INC for 1904.

therefore capable of being removed by self-effort, the 'industry theory' gave birth to the 'optimistic school of Indian economics' and served, at least initially and for some time, as the economic-ideological base of moderate politics.[229]

Similarly, even an extreme critic of the land revenue policy of the government could be satisfied by reduction in land revenue or by checking its future growth or could even be outmanoeuvered in public estimation by bringing out the element of exaggeration in his stand, as was done in 1901 in the case of R. C. Dutt by Curzon through his Resolution on Land Revenue. The government could also to some extent appease the nationalist critic of taxation and expenditure by easing the tax burden here and there to a limited extent and by increasing by a small amount public expenditure on some welfare and developmental activity or department. Criticism of railways, however justified it might have been earlier, was slowly corroded by their increasing usefulness and profitability. Even extremism arising out of demands for national political advancement could be, with some effort, moderated by giving carefully calculated doses of political concessions and reforms. And in any case, while the nationalist could still argue his case and try to prove that the British economic policy in all these respects as well as in respect of foreign trade,

229. R. P. Paranjpye has described Gokhale's 'moderate' methods of political work as follows: 'He realised that nine-tenths of the work that has to be done before India can take her right place in the British Empire and the world, must be done in India and by Indians themselves and that when this major part of the work is accomplished the few difficulties necessarily inherent in a foreign bureaucratic government will not take long to get over'. Paranjpye rightly remarked further that 'such an acute sense of one's own shortcomings is inconsistent with a readiness to shout with the biggest crowd'. *Gopal Krishna Gokhale* (Poona, 1915, 2nd edition), p. 34. Justice Ranade's definition of moderate political outlook may also be of some interest here. He wrote in 1896: 'Moderation implies the condition of never vainly aspiring after the impossible or after too remote ideals but striving each day to take the next step in order of natural growth, by doing the work that lies nearest to the hand in a spirit of compromise and fairness.' In the economic field, after describing at length the extreme poverty of the people Ranade wrote: 'Of course, this condition of things is not of yesterday, and is not the result Solely of Foreign Conquest and Competition. It is an old, a very old Inheritance' (*Essays*, p. 182).

currency, labour, etc., was selfish and against the interests of Indian people, it would require a certain degree of political and economic insight to penetrate through the haze of official arguments and apologia. This insight might be possessed by the leadership; but to impart it to the mass of people would be a long and arduous task, if a possible task at all.

This role of the various theories other than the drain theory in diluting political militancy was taken note of by Dadabhai Naoroji and his fellow campaigner of the drain theory, the *Amrita Bazar Patrika*. Thus, in 1900, Dadabhai urged the youngmen of India to be on their guard against being taken in by the reasons and excuses, such as decadence of indigenous industries and excessive taxation of land, advanced for the poverty of India. 'But these, after all, are only red herrings drawn across the path,' he warned; and added: 'As long as the bleeding goes on, there can be no hope for India.'[230] According to Dadabhai's biographer, R. P. Masani, Dadabhai warned R. C. Dutt in 1903 that his emphasis on the defects in the land revenue system was likely to 'divert attention from the fundamental cause of Indian poverty — the drain — and its remedy, self-government'.[231] Similarly, the *Amrita Bazar Patrika* observed in its issue of 9 June 1900 that, while it was undisputable that excessive land revenue was a cause of India's poverty, it was still wrong to lay more emphasis on it than on the drain. 'To raise the question of high settlement is to raise a point which is likely to be disputed, but there can be no dispute about this annual drain'.[232] On 28 March 1901, the *Patrika* expressed the misgivings that by laying stress on the land revenue Dutt was 'raising a side-issue and would find

230. Quoted in Masani, *op. cit.*, p. 414.

231. *Ibid.*, p. 523.

232. In fact both Dadabhai and *the Patrika* were willing to concede that in itself and when not linked with the drain, the land revenue in India might not be heavy at all (Naoroji, *Speeches*, Appendix p. 52, and *ABP*, 1 June 1900). The *Patrika* of 18 Oct. 1900 also pointed out that given the fact of the drain, money had to be somehow raised to pay for it. If the land revenue was reduced, the country would be made to pay in some other way.

himself lost in a labyrinth of discussion', and advised: 'What is necessary to do is to raise *clear issues and stand upon firm footing to be able to bring the matter home*'.[233]

As opposed to the 'industry theory', etc., the drain theory traced the origins of the economic evils from which India was suffering to British rule itself, it uncompromisingly highlighted the foreign nature of the British Indian Government and its exploitative character. The drain accordingly was, by its very definition, entirely the fault of Britain; and the British must bear the entire blame for the poverty arising out of it. In the situation, according to this view, the Indian people and their leaders could obviously do little that was constructive to reduce the drain; all that was within their realm was to agitate for Indianisation, fairer apportionment of India's expenditure between Britain and India, reduction of the Home Charges, etc. Furthermore, the proponents of the drain theory not only maintained that India could make no economic progress as long as the drain continued and argued that the drain was all Britain's fault, but, by so defining the drain as to make it synonymous with British rule and its basic economic and political policies, institutions, and infra-structure—namely, the British Indian Civil Service, the British army, the India Office in England, British capital investments in India, railways, foreign trade, the land revenue and taxation in general—they slowly led the people to believe that if India was an economically backward and poor country it was mainly because of 'the presence and the policy of the foreigner' and that the chief barrier in the path of the economic progress of the country was not its internal economic weaknesses but British rule itself. Even the over-emphasis on the European character of the Civil Service and the army served a similar political purpose, since, on the one hand, it helped keep before the people a visible badge of the political and economic subjugation of the

233. (Emphasis added). It also noted that even Dutt had shifted from his earlier position of over-emphasis on land revenue and was now putting equal blame on the drain and lack of industry for making India poor.

country, and on the other, it led to a demand, viz. that India should have British rule but without the presence of the British themselves, which could not possibly have been accepted by the rulers and which could only succeed in arousing political passions against the rulers.

Thus the drain theory set out an acute problem, proposed solutions which would cut at the very roots of British rule in India, and posed a contradiction that could not but result in the emergence of an extremist political outlook, a total political clash between the government and the people, and, finally, the revolutionary political demand for the overthrow of British rule. Even political reforms would not satisfy the supporters of the drain theory since these reforms would not by themselves lessen the drain. Political militancy based on the drain theory would not therefore be lessened even by political reforms.[234] Moreover, the drain theory glossed over all internal conflicts within Indian society and concentrated all its energy on the one evil—the drain and the foreign rule that produced it. Thus, the very negative character of Dadabhai's economic approach—which made him a prophet of doom in comparison with Ranade's optimistic outlook that had compelled the latter to drop the drain theory after initially sponsoring it in 1872—also enabled him to give as early as 1904 a call that must have appeared at the time to be utterly negative and 'hopeless'—the call for self-government.

The revolutionary political implications of the drain theory were visible not only to its proponents but even more so to its critics. As early as 1886, Randolph Churchill, the Secretary of State for India, had pointed out that

> The impatience of the new taxation, which would have to be borne wholly as a consequence of foreign rule imposed on the country, and virtually to meet additions to charges arising outside the country, would constitute a political

234. For example, Dadabhai wrote to Wacha in 1887: 'Rest assured that mere reform of representation in the Legislative Councils would do little if the other reform of the stoppage of the drain is not carried out' (quoted in Masani, *op. cit.*, p. 316). Also see Naoroji, *Speeches*, p. 361.

> danger, the real magnitude of which it is to be feared is not at all appreciated by persons who have no knowledge or concern in the Government of India, but which those responsible for that Government have long regarded as of the most serious order.[235]

Similarly, J. D. Rees in his book, *The Real India*, took Dadabhai to task for leaving out of account 'the fact that without the home charges there could be no British Government in India'.[236] Several Indians also opposed a vigorous propagation of the drain theory for the reason that it would sooner or later lead to a premature demand for political independence.[237] This was perhaps the main reason why Ranade opposed the tendency to emphasise the drain too much.

To sum up: the drain theory was revolutionary in its political implications; it brought the question of political power to the centre of the stage; its acceptance not only brought the inherent political conflict between Britain and India to the surface but made the political domination of the former over the latter impermissible. This also explains why while nationalist criticism of British economic policy in several other respects and the consequent remedies suggested by the national leaders could be accepted by even the most ardent of British imperialists, the existence of the drain would not be accepted by even the most radical of them.

The drain theory also helped politicalise the public life of India by raising economic issues to a political level; for while other economic issues could possibly be resolved by economic

235. Letter, dated 26 Jan. 1886 to the Treasury, given as enclosure No. 2 in the *Despatch of Secretary of State to Government of India (Finance)*, No. 26, dated 28 Jan. 1886.

236. Rees, *op. cit.*, p. 288.

237. The *Bengal Magazine* of December 1881, for example, wrote: 'What does Mr Dadabhai mean by this sort of wild talk. The loss of revenue which he mourns over can only be prevented when India becomes independent and is governed by the Indians themselves. But as the day is not forthcoming, at least for a long time to come, it is foolish to talk of the resources of our country being consumed by foreigners' (pp. 177-8). Also see *New India*, 7 Apr. 1902.

remedies and could, therefore, under certain circumstances, be kept within the realm of economic discussion, the drain could find only a political solution. The drain theory, thus, also tended to replace political passivity by political action.

The drain theory possessed the great political merit of easily becoming a current coin among the common masses; it was so simple and easy a concept that even a peasant could readily grasp it. A nationalist orator discoursing on the drain could get a quick response of understanding from the most illiterate of audiences. Money being transferred from one country to another was the most easily understood of the theories of economic exploitation since it was so akin to their daily experience; a peasant listening to an attack upon the drain could as good as feel money slipping out of his own pocket. No other idea could arouse people more than the thought that they were being taxed so that others in far off lands might live in comfort. The drain theory consequently had the quality of becoming the rallying cry of a nation of peasants. 'No drain' was the type of slogan that all successful revolutions need and possess—it didn't have to be proved by sophisticated and complex arguments but had, instead, a sort of immanent quality about it; it was practically self-evident. And so the belief that India was a *sone ki chidya* (the land of gold) that had slowly been drained of all its wealth till it was reduced to the present condition of poverty and destitution became the most powerful and popular of nationalist grievances during the years when Indian nationalism was at its zenith. It was therefore not fortuitous that the drain theory was attacked by the officials, as well as by non-official British writers, with a vigour and consistency which was not the fate of any other nationalist theory or demand and that its chief theoretician and propagator, Dadabhai Naoroji, whose professions of loyalty to British rule were loudest of all and whose faith in British goodness was deepest of all, was condemned as a visionary, an extremist,[238] and perhaps even a hypocrite who was hiddenly

238. See, for example, Naoroji, *Speeches*, Appendix pp. 77-8.

disloyal.[239] But, on the other hand, at a time when nearly all the great moderate leaders of the 19th century, like Ranade, Pherozeshah Mehta and Gokhale, came to be temporarily looked down upon and even ridiculed as petition wallahs by the nationalistically aroused youngmen of the Gandhian era, Dadabhai was still remembered and respected by them as the father of Indian nationalism.

239. J. D. Rees wrote in 1908: 'True, he (Dadabhai) prefaces most of his indictments by a profession of faith in the British, but this expression can only be looked upon like the Frenchman's "Oue messieurs les assassins commencement," for he does not scruple to say...' (*op. cit.*, p. 288).

CHAPTER XIV

Indian Political Economy

> Theory is only enlarged Practice, Practice is Theory studied in its relation to proximate causes.
>
> — JUSTICE RANADE

> The given conditions of society and the prevailing conceptions regarding its future and contemporary interest, determined the economic ideas that received the approbation of thinkers and the acceptance of statesmen.
>
> — G. SUBRAMANIYA IYER

During the period under study, some of the Indian national leaders evolved the concept of 'Indian Political Economy' which was fully worked out in a scientific form by Justice Ranade in his classic address on 'Indian Political Economy', delivered at the Deccan College, Poona, in 1892.[1] His basic formulations are too well known in Indian economic literature to need an elaborate statement here.[2] What is perhaps not so well known is the wide scale on which they were subscribed to in the ranks of the Indian national leadership. Ranade's views on the subject may be summarised as follows:

The claim that the postulates of Classical political economy were universally and absolutely and demonstrably true for all

1. Ranade, *Essays*, pp. 1-39. An earlier exposition of Ranade's views on Classical economics is to be found in his 'Review of "Free Trade and English Commerce" by Augustus Mongredien', *JPSS*, July 1881 (Vol. IV, No. 1), pp. 5off. Cf. Mankar, *op. cit.*, Vol. I, pp. 214-5.

2. For detailed examination of Ranade's views see James Kellock, 'Ranade and After', *Indian Journal of Economics*, Jan. 1942 (Vol. XXII, No. 3); Bhabatosh Datta, 'The Background of Ranade's Economics', *ibid.*; J. C. Coyajee, 'Ranade's Work as an Economist', *ibid.*; D. G. Karve, *Ranade—The Prophet of Liberated India* (Poona, 1942), Chapter IV; P. K. Gopalakrishnan, *Development of Economic Ideas in India* (Delhi, 1959), Chapter III.

times and places and for all stages of economic development was far from true.[3] Classical economics was based on assumptions which were not universally applicable; they had been born out of specific conditions of England; and, in fact, they were true of no existing society.[4] In particular, they had hardly any validity in a backward, stagnant agricultural country like India where not competition but status and custom and tradition ruled.[5] Secondly, the past practice of British statesmen and the contemporary practice of other nations did not at all conform to the precepts or assumptions of Classical economics.[6] As a matter of fact, even in India the British did not strictly adhere to these precepts in giving guarantees to railways and help to plantation industries or in claiming state ownership over land or in trying to preserve through legislation *petit culture* by tenants.[7] Thirdly, the scientific claims of Classical economics had been seriously questioned by European and American economists[8] and were under attack even by several English economists;[9] moreover, some of the Classical economists themselves had been at pains to avoid making claims of absoluteness and universality for their science.[10] Fourthly, Classical economics might at the most explain static economic conditions but could hardly cope with the processes of dynamic economic development.[11] Keeping all these factors in view, the conclusion was inescapable that the principles or laws of economics were not abstract and universal like those of physics

3. Ranade, *Essays*, p. 2.
4. *Ibid.*, pp. 4-5, 9-10.
5. *Ibid.*, pp. 8-10, 22-3, 42-3; and 'Review of "Free Trade and English Commerce"', *loc. cit.*, p. 51.
6. *Essays*, pp. 4-6, 14. He also pointed out that Indian problems and conditions were closer to those in Continental Europe and America than to those in England and, therefore, 'the lessons to be derived from the study of Continental Economy have a more practical bearing than the maxims contained in the usual Text-books of English Political Economy' (*ibid.*, pp. 42-3). Also see p. 34.
7. *Ibid.*, pp. 3, 28-9, 32-3, 89.
8. *Ibid.*, pp. 16-21.
9. *Ibid.*, pp. 10-11, 34-9.
10. *Ibid.*, pp. 6-7, 16.
11. *Ibid.*, pp. 8-9

and mathematics but were relative and historically conditioned and derived; they differed in time and space.[12] Hence, the specific stage of economic development of a people and not abstract economic theories should be the decisive factor in determining economic policies for a country.

It may be noted that Ranade did not deny the value of economic theory or the validity of economics as a science.[13] On the contrary, he specifically repudiated those who would reduce it to an Art, to 'the position of a rule of thumb'.[14] He only wanted to make it more 'subtle and scientific' by basing it on practice.[15] He said that economics being a social science its principles were to be derived historically through the study of specific economic activities and not deductively so that they were closely linked with historical experience, practical observation, and social reality. Or, as D. G. Karve has put it, 'a comprehensive, sociological and constructive view of economics was alone acceptable to Ranade'.[16] In 1881, Ranade had criticised English economists for looking at the question of Free Trade 'solely from the economical point of view' and ignoring 'the political and social elements which enter into the question', and averred that the economic aspect ought to be subordinated to the higher interests and aspirations of a people 'if political economy is to be anything more than schoolmen's metaphysics'. In fact, he pointed out, that is why one talked

12. *Ibid.*, pp. 4-5, 21-2, 89-90. Here Ranade taunted the English statesmen for denying India Western political institutions on the ground of it being different from England but conveniently forgetting this when it came to economic policies (*ibid.*, pp. 2, 4-5).

13. Cf. Kellock, 'Ranade and After', *loc. cit.*, p. 253; Karve, *op. cit.*, pp. 54-6.

14. Ranade, *Essays*, p. 21.

15. He wrote: 'Theory is only enlarged Practice, Practice is Theory studied in its relation to proximate causes. The Practice is predetermined by the Theory which tests its truth, and adopts it to different conditions by reasons of its grasp of the deep-seated, permanent, and varied basal truths' (*ibid.*).

16. Karve, *op. cit.*, p. 56. Also see Ranade's remark: 'Adam Smith never separated Economical from Social considerations, and thus occupied a position of advantage, which his successors gave up by their too absolute assertion of his doctrines' (*Essays*, p. 16).

of 'applied, i.e. political economy' and not of 'pure economics'.[17] In this respect Ranade remained for once true to the practice of Classical economists and more often than not referred to economics as political economy.

In course of time Ranade's critique of Classical economics led to the foundation of the 'national' or 'Indian' school of political economy. This development was, we believe, in the main the product of two factors: (a) Ranade's conclusion—derived from a belief in the relativity of economic doctrines, in their close dependence on social reality, and in their quality of reflecting economic practice—that since India's economic interests and conditions differed from England's the principles of economics applicable to it must also be different;[18] and (b) the acceptance of Ranade's premises and conclusions by a large number of other nationalist contemporaries.

Thus, as early as 1877, K. T. Telang quoted the English economist T. E. Cliffe-Leslie to show that the doctrines of political economy were not true of all countries alike.[18a] He also said that in deciding practical questions principles of economics should form only one of the considerations, other considerations of social and political welfare being equally important.[19] In his paper on 'The Poverty of India', Dadabhai argued that political economy might be 'all right in a Native-governed country', but was not strictly applicable to a dependent country which had to make 'home remittances and charges'.[20] Prithwis Chandra Ray too condemned any attempt 'to take the abstract principles of political economy and apply them cut and dried in a country, without considering its sociological conditions', and cited the experience of America, Australia, and the Continent of Europe as a proof of the error

17. 'Review of "Free Trade and English Commerce"', *loc. cit.*, pp. 51, 53-4.

18. *Ibid.*, p. 56; *Essays*, pp. 11, 22 ff., 42-3, 89.

18a. Telang, *Free Trade and Protection—from an Indian point of view* (Bombay, 1877), p. 47. Also see pp. 2, 15, 17, 69.

19. *Ibid.*, pp. 2-3, 53.

20. Naoroji, *Poverty*, p. 136.

of the 'complacent dogmatism' of English economists.[21] G. V. Joshi did not deal directly with economic theory, but his treatment of the questions of the role of the state, Free Trade, etc., clearly brings out his close adherence to the fundamental theoretical framework of Ranade.[22] R. C. Dutt did not comment on economic theory; he did, however, notice that Ricardo, Cobden, Bright, and Robert Peel had ignored the heavy duties on Indian goods entering England at the very time when they were agitating for Free Trade in England. Nor did he fail to praise European economists for taking 'a more unbiased view of the situation' and for unerringly pointing to the double standard practised by English statesmen at home and in India.[23]

G. Subramaniya Iyer dealt at length with problems of political economy in his work, *Some Economic Aspects of British Rule in India,* to which he attached a long Appendix on 'English Economists and India'. Even though he was obviously following in the footsteps of Ranade, his treatment of the question is historically significant. Dealing with the question of Free Trade, he pointed to the protectionist policies of Germany and the U.S.A. to show that economic policies of nations were determined by national needs and not by economic theories, and remarked that the theory of Free Trade suited England because of its peculiar conditions and that, on the other hand, Indian conditions resembled those of Russia and the U.S.A. in this respect.[24] Coming to problems of theory, he said that Classical economics was 'one-sided and imperfect' and not applicable to other countries.[25] Moreover, he remarked — echoing Ranade — 'the truths of economic science are not universally applicable, irrespective of particular stages of national

21. Ray, *Poverty*, p. 66. Referring to the Free Trade vs Protection controversy, he wrote: 'Really free trade and protection are categories of time and place. It is a question of expediency, not of natural law' (*ibid.*, p. 65).

22. See, for example, Joshi, *op. cit.*, pp. 749, 808, 886.

23. Dutt, *EHI*, pp. 299-302. Also see his *Speeches II*, pp. 122-5.

24. G. S. Iyer, *EA*, pp. 104-07.

25. *Ibid.*, pp. 129-30.

growth and of peculiar environments and conditions.'[26] He also pointed out that European political economy had never stood still; it had undergone 'steady changes in its conceptions, theories, and practical application, since the dissolution of medieval times'.[27] Adam Smith himself belonged to a particular point of time.[28] Stressing the social origins of economic thought, G. S. Iyer wrote: *'The given conditions of society and the prevailing conceptions regarding its future and contemporary interest, determined the economic ideas that received the approbation of thinkers and the acceptance of statesmen.'* It was therefore clear to him that the principles of orthodox economics had to be modified when applied to India since 'the economic interests of India and the conditions under which they have to be safeguarded' were different from those of Europe and America.[29] He also noted that the practice of the English in India provided many exceptions to their adherence to orthodox economics; unfortunately, however, he pointed out, such departures from dogma were made only 'to uphold and protect the interests of the ascendant class'.[30]

The relativity of economic doctrines and of their application to the peculiar conditions of India was also sometimes asserted at the popular level of the press. Thus, for example, the *Amrita Bazar Patrika* had written, as early as 1 December 1870, that 'the condition of India is in many respects peculiar and the same law which holds good in other countries may not hold good here'. The *Hindu* of 7 December 1883 observed: 'In

26. *Ibid.*, Appendix p. 4.

27. *Ibid.*, Appendix p. 5. He briefly traced the growth of economic thought in Europe from the rise of mercantilism to the latest German school (*ibid.*, Appendix pp. 7-22). Interestingly enough, while he praised List for supporting relativity of economic doctrines and their historical derivation and for assigning preponderance to national development over the immediate gains of individuals, he had the insight to observe that List 'tended in fact to set up a new form of mercantilism, rather than to aid the contemporary effort towards social reform' (*ibid.*, Appendix pp. 22-3).

28. *Ibid.*, Appendix p. 5.

29. (Emphasis added). *Ibid.*, Appendix pp. 1-2. Also see pp. 210-1, 242, 267, and Appendix p. 4.

30. *Ibid.*, Appendix p. 3.

the application of the European economic laws to Eastern countries, the special conditions must be taken into consideration.... Your political economy is not after all an end in itself.' The *Mahratta* of 2 April 1899 criticised Adam Smith and Cobden for trying to make of political economy a science like chemistry. They started out rightly, it said, with the practical question how to increase the wealth of England. Unfortunately, in their hands the question 'gradually lost its specific nature and the change from particular to the general was easy and swift'. In any case, it asserted, the economic condition of India, being different from that of England, 'calls out for the application of a different set of principles'. It further declared: 'India is not to be sold for the fads of economic doctrinaires'; and asked the Government of India to 'proclaim once for all that it is not going to borrow its economics from England'. In conclusion it pleaded for 'the formation of national economics'.[31] Bipin Chandra Pal's *New India* also dilated, in its issue dated 21 April 1902, on the relativity of economic doctrines on account of 'the wide divergence that exists between one people and another both in their social structures, and in their climatic and historic environments', and, pointing to the social roots of economic theory, observed that economic ideas were 'the result of particular industrial conditions, existing in any country or at any time, and must, therefore, vary from age to age, and between one country and another'.[32] Many other nationalist leaders referred to the relativity of economic principles in the course of the agitation against the application of Free Trade principles to India.[33]

Most of the Indian leaders cited above made a distinct advance over Ranade's position in one respect. They were able to discern that it was in its political condition that India differed most not only from England but also from the other nations

31. Also see *Mahratta*, 26 March 1899.
32. Also see *New India*, 18 Dec. 1902.
33. S. N. Banerjea, *Speeches I*, p. 202; ABP, 1 Dec. 1870; *Som Prakash*, 3 Apr. (RNPBeng., 8 Apr. 1882); *Madras Standard*, 21 Jan. (RNPM, 25 Jan. 1902).

of Europe and America, for India's economy and finances were controlled by an alien power.[34]

I. ROLE OF THE STATE

The *laissez-faire* theory of the functions of the state was one of the tenets of Classical economics that was challenged vigorously and consistently by the leading nationalist economists. They rejected the idea that the state should confine its activities to the maintenance of law and order[35] and pleaded for the widening of the horizons of state activity so as to encompass all matters in which individual effort was likely to be less effective than national effort.[36] The state should in this respect act as the collective organ of the national will for national purposes.[37] They further maintained that in an economically backward country like India the obligation on the state to act as the guardian of national economic and industrial interests was even greater than in the advanced countries of the West, since it had to help people overcome inherited weaknesses, their own inertia and inferior competitive position *vis-a-vis* the powerful foreigner.[38] G. V. Joshi, in particular, felt that it was

34. Naoroji, *Poverty*, p. 136; Joshi, *op. cit.*, p. 207; Ray, *Poverty*, pp. 38-9, 66; *New India*, 18 Dec. 1902; G. S. Iyer, EA, p. 358. Also see ABP, 6 April 1882.

35. Ranade, *Essays*, p. 32; Joshi, *op. cit.*, p. 809; G. S. Iyer, EA, p. 155.

36. Ranade, *Essays*, p. 32; Joshi, *op. cit.*, pp. 671-2, 748; G. S. Iyer, EA, p. 155, Appendix p. 6; Gokhale, *Speeches*, pp. 54-5.

37. Ranade, *Essays*, p. 87; Joshi, *op. cit.*, pp. 672, 746, 748, 785-6, 808; G. S. Iyer, EA, Appendix p. 6. Ranade had also remarked in 1896: 'The State after all exists only to make individual members composing it nobler, happier, richer and more perfect, in every attribute with which we are endowed.' *The Miscellaneous Writings of the Late Hon'ble Mr Justice M. G. Ranade* (Bombay, 1915), p. 172. Also see *ibid.*, p. 78.

38. Ranade, *Essays*, pp. 86, 90-2; Joshi, *op. cit.*, pp. 672-3, 747-8, 785-6, 807-09, 826. However, in 1877, Ranade had been of a different view. In a letter written on behalf of the Poona Sarvajanik Sabha on the Report of the Deccan Riots Commission, he had declared: 'It is not within the power or competence of Government to effect any change of a permanent character in the physical, or social or economical conditions of the country. They do not admit of being remedied by any external agencies, at least not in such a short time as the urgency of the case demands.' *JPSS*, Jan. 1879 (Vol. I, No. 3), p. 36. Cf. Mankar, *op. cit.*, Vol. I, p. 213.

the duty of the state in India to so regulate the inexorable working of economic laws of competition and control and guide the inevitable transition from handicrafts to modern industries as to minimise the resultant economic dislocation and misery.[39] There was, however, some difference of opinion between Justice Ranade and G. V. Joshi regarding the limits to which state intervention in economic affairs could go. Ranade opposed the setting of any theoretical limits and said that the national needs should be the only criterion. 'The question is one of time, fitness, and expediency, not one of liberty and rights', he said.[40] G. V. Joshi, on the other hand, believed that the state action was an extraordinary measure and should, therefore, be hedged in with restrictions lest instead of aiding private effort it suppressed and even replaced it.[41]

In order to justify the right of the state to interfere in economic affairs, Ranade and G. Subramaniya Iyer also attacked the doctrine of the social supremacy of the individual and his self-interest that lay at the heart of the concepts like the 'economic man' and self-regulating economy, and propounded in its place the doctrine of the primacy of collective welfare over individual interests. Ranade put this view as follows:

> Modern Thought is nearing to the conclusion that the centre round which the Theory should revolve, that the true centre is the Body Politic of which that Individual is a Member, and that Collective Defence and Well-being, Social Education and Discipline, and the Duties, and not merely the Interests, of men, must be taken into account, if the Theory is not to be merely Utopian.[42]

Similarly, G. S. Iyer criticised Adam Smith for treating the individual 'as a purely egoistical force, working uniformly in the direction of private gain' and not paying due regard to the

39. Joshi, *op. cit.*, pp. 680-3, 785-6.

40. Ranade, *Essays*, p. 32. Also: 'The State, as representing the Public, has a right, and is under corresponding obligation, to undertake all functions which it can best perform to public advantage' (*ibid.*, p. 87).

41. Joshi, *op. cit.*, p. 822.

42. Ranade, *Essays*, p. 21.

fact that man should 'cultivate sympathy with his neighbours, with his nation, and with humanity at large'. Echoing the German historical school, he said:

> ... the immediate private interest of the separate members of the community will not lead to the highest good of the whole, and is frequently opposed to it.... On the maintenance of the unity and progress of the nation depend the security, well-being and civilization of the individual, and private economic interests, like all others, must be subordinated to the completion and strengthening of the nationality.[43]

G. V. Joshi made the interesting point in this context that the philosophy of *laissez faire* had arisen in England as a reaction to the state helping one section of the community at the cost of another. He would concede that objection might be rightly taken where the state was found 'favouring *a class* and promoting only *sectional*, instead of *national*, interests'. But the case was quite different in India, where, he said, 'there is no such conflict of class-interests; the classes are not divided, as elsewhere, by hard lines'. Here the state was not being asked to help one class against another nor to favour the capitalist class as such; the state was being asked 'to help the entire community in its present helplessness'. All the classes of Indian society were suffering at the hands of competition by powerful foreigners; all of them were equally interested in the rapid economic development of the country.[44]

Basing themselves on the twin doctrines of the state's right to interfere in economic matters and the predominance of communal welfare over individual interest, the Indian leaders demanded that the Government of India should follow a policy of direct, deliberate, and systematic promotion of industrial development which was in their eyes the *sine qua non* of nation's economic welfare.[45] Many of them also asked for

43. G. S. Iyer, EA, pp. 130-1. Also see *ibid.*, Appendix pp. 6, 10-11.

44. Joshi, *op. cit.*, pp. 748-9.

45. See Chapter III above. See, for example, Ranade, *Essays*, pp. 32-4; Joshi, *op. cit.*, pp. 671-701, 752-830. For nationalist leaders' emphasis on industrial development, see Chapter II above.

various forms of state assistance to agriculture.[46] Ranade applied this doctrine of the state being the guardian of the entire community to fields where there was need for 'protection of the weak against the strong'.[47] He supported legislation to protect tenants and to regulate money-lending.[48] He also advocated a more equitable distribution of national wealth.[49] Similarly, G. S. Iyer advocated state intervention in favour of the workers on the ground that the state had the responsibility of protecting the weaker side in the unequal struggle between labour and capital.[50] It may, however, be repeated here that quite a few other Indians took strong objection to any state interference with 'the quiet working of private industrial enterprise'.[51]

A note of warning may be sounded at this stage. Care should be taken not to confuse the nationalist economists' theoretical defence of state interference in economic affairs and their demand for state aid to industry — which might in some cases even take the form of direct state enterprise — with a

46. See Chapter X above.

47. Ranade, *Essays*, p. 31.

48. See Chapter X above. See, for example, *Essays*, pp. 30-1. However, earlier in 1881, he had opposed any effort at state regulation of relations between landlords and tenants on the ground that 'these matters are so delicate and complex that they must be left to be settled by individual contract, and that any officious interference can only end in failure and demoralisation' ('The Central Provinces Land Revenue and Tenancy Bills', *JPSS*, Apr. 1881, Vol. III, No. 4, p. 22). Also see p. 17. Cf. Mankar, *op. cit.*, Vol. I, p. 214.

49. He wrote: 'The Advanced Theory concedes freedom where the parties are equally matched in intelligence and resources; when this is not the case, all talk of equality and freedom adds insult to the injury. It is in this spirit that the Distribution of Produce among the needy many and the powerful few has to be arranged, i.e., in a spirit of equity and fair play, and the orthodox views of Finality in such matters must be reconsidered in all the relations of life' (*Essays*, p. 31).

50. See Chapter VIII above. See, for example, EA, pp. 227-8. Also see *Mahratta*, 1 July 1888.

51. See Chapter VIII above. See, for example, *Brahmo Public Opinion*, 27 Feb. 1879; 'Factory Legislation in India', *JPSS*, July 1881 (Vol. IV, No. 1), p. 31; *Indu Prakash*, 9 Feb. (*RNPBom.*, 14 Feb. 1885); *Hindu*, 14 May 1889, 26 March 1901.

desire for socialism or even for a welfare state.[52] Far from advocating socialism or even state capitalism, these economists merely wanted the state to provide an impetus to and give a helping hand in the transition of the agrarian economy towards industrial capitalism — all they desired was to induce the state to make up the economic deficiencies of private enterprise in a backward country. That this was the role assigned to state aid by Ranade is clearly brought out by a perusal of his essays on 'Netherlands India and the Culture System', 'Iron Industry — Pioneer Attempts', and 'Industrial Conference'.[53] Light is also shed on his attitude by a little-known act of his in 1886. While he talked in general of producing 'in State Factories all products of skill which the State Departments require in the way of Stores',[54] in the course of his minute of dissent to the *Report of the Finance Committee of* 1886 he strongly objected to the Committee's proposal for removal of restrictions on jail manufactures as it 'encourages the state officials with the help of public funds to bear down all private competition'. In particular, he criticised the utilisation of jails 'to drive steam machinery and work presses, and tents, and paper, and carpets with the help of State funds'. In other words, he objected to jails being used to manufacture goods which the Indian private enterprise also produced.[55]

G. V. Joshi repudiated any suggestion of state socialism or state capitalism even more strongly and explicitly. Thus he wrote in 1890: 'Our scheme emphatically is not a scheme of State-socialism, such, for instance, as was attempted with fatal ill-success by the Provisional Government in 1848.'[56] Firstly, he repeatedly remarked that the only objective of state action was to redress the balance in the unequal

52. At least one writer, D. G. Karve, has failed to avoid this mistake (*op. cit.*, pp. 119, 132). On the other hand, James Kellock (*Ranade*, p. 130), B. Datta (*op. cit.*, pp. 262, 272), and Gopalakrishnan (*op. cit.*, p. 124) have clearly noted the distinction.

53. See, in particular, *Essays*, pp. 89-90, 169, 190, 193-4.

54. *Ibid.*, p. 33.

55. *Report of the Finance Committee*, 1886, Vol. I, p. 407.

56. Joshi, *op. cit.*, p. 819.

struggle of the resourceless Indian entrepreneur with the 'powerful and go-ahead foreigner' so that the former was not 'nipped in the bud'.[57] Secondly, he stressed that industrial development was basically the function and prerogative of private effort, the state's role being temporary and limited to that of preparing the private entrepreneur to assume independent responsibility. As soon as the latter eventuality was realised the policy of state aid would lose its *raison d'etre* and would have to be given up. It would in fact be wrong at that stage for the state to try to monopolise the industrial field.[58] Thirdly, apprehending that state aid might 'degenerate into aggressive State action, supplanting private effort', he proposed surrounding it with strict 'limitations of scope, direction, and time'.[59] Lastly, he criticised the government for attempting in respect of irrigation, forest conservancy, and taqavi allowances 'to accomplish by its own agency the work which private native enterprise should be trained and encouraged and even subsidised if necessary to carry out'.[60]

II. LAND REVENUE: A TAX OR RENT?

Another field in which the Indian leaders questioned the official theoretical framework was that of land revenue administration. The main points of difference related to the nature of land revenue and the ultimate ownership of agricultural land. The dominant view among the Indian administrators was that in India the state was, since times immemorial, the ultimate owner of the soil and the cultivators or other landholders were in essence its tenants; in consequence the land revenue paid by the landholders to the government was in the nature of rent and not a tax.[61] The nationalist economists and other

57. *Ibid.*, pp. 746-50, 820.
58. *Ibid.*, pp. 673-4, 808, 820, 826. Also see *Hindu*, 21 Apr. 1902.
59. Joshi, *op. cit.*, pp. 822-3.
60. *Ibid.*, p. 821. Also pp. 825, 861-2.
61. See, for example, *Report of the Indian Famine Commission*, 1880, Part II, Section VII, para 2. Also see Richard Strachey and John Strachey,

leaders repudiated this contention *in toto*. They said that the Indian landholder was as much a private owner of his land as a landholder in any other part of the world, and that to assert the contrary was to misinterpret the past and ignore even the principles underlying the existing land tenures. They therefore maintained that what the government charged as land revenue was a tax that it collected for its needs in the manner of governments in other countries.[62] Interestingly enough, while the official spokesmen often stressed that in claiming to be the universal lords of the soil the British rulers were merely following the practice of the previous rulers of the land, G. V. Joshi insisted that the claim was put up because 'Western Theories are recklessly applied to the facts of Indian life in all their logical rigours'.[63]

Ranade and Joshi also attacked the Ricardian basis of the Indian system of land revenue. Underlying the official ideas and practice was the assumption that the tenant of the state or the zamindar in India was a capitalist farmer who paid

op. cit., pp. 14-5; Chesney, *op. cit.*, p. 331; Curzon, *Speeches* I, p. 128; *Resolution of the Government of India*, dated 16 Jan. 1902, para 9; Strachey, *India* (1903), p. 120; E. Law, *LCP*, 1904, Vol. XLIII, p. 539. It may be noted that several officials and writers always dissented from the dominant view. See, for example, minutes by Louis Mallet, Lord Salisbury, and H. E. Sullivan, quoted in Dutt, *Famines in India*, Appendices M, N, O, Q; Government of India's Despatch, dated 8 June 1880, *Home (Public)*, Prog. 45(A), June 1880; Baden-Powell, *op. cit.*, p. 49.

62. Mandlik, *Speeches*, pp. 466, 488, 514-5; *Dnyan Prakash*, 3 Feb. (*RNP Bom.*, 5 Feb. 1881); Joshi, *op. cit.*, pp. 547-8, 573-4, 824, 887; Ranade, 'Protest against New Departure of Government in Land Policy', *JPSS*, Apr. 1884 (Vol. VI, No. 4), p. 45; Poona Sarvajanik Sabha's letter, dated 4 June 1884, *JPSS*, July 1886 (Vol. IX, No. 1), p. 5; *Swadesamitran*, 23 Apr. (*RNPM*, 30 Apr. 1897); P. Mehta, *Speeches*, pp. 680-2; Wacha in *CPA*, p. 570; Dutt, *Famines in India*, pp. 94 ff., *EHI*, pp. 372-4, 381-2, *EHII*, pp. 140, 321-2. Also see Naoroji, *Poverty*, pp. 60, 220-1, *Speeches*, p. 316, Appendix pp. 40, 182; Joshi, *op. cit.*, p. 223 f.n.; Ray, *Poverty*, p. 254.

63. Joshi, *op. cit.*, p. 886. He added: 'This socialist theory is only an offscouring of European economic heresies on the subject, and, outside British India, finds its practical expression only in the *doctrinaire* land nationalisation movement of our day' (p. 887). Joshi was of course quite right in one sense: neither Ricardo nor James Mill dared suggest that the Radical theory of taxation that was inherent in the theory of unearned income should be applied to English conditions. Cf. Stokes, *op. cit.*, pp. 89-90.

economic rent,[64] that is the price differential between the produce of superior land and the produce of the poorest land at the margin of cultivation on which the cost of production was just covered by its produce. The cost of cultivation under this definition covered the cultivator's labour costs as well as his capital costs at the prevailing rate of profit.[65] It was clear that according to this theory of rent the state as the landlord in India could absorb the whole of this economic rent as land revenue without raising the cost of production and without affecting prices or wages which were determined by the cost of production on the marginal land.[66] Ranade and Joshi did not criticise the Ricardian theory of rent as such, but they denied that it was valid in India. 'In classical political economy the rent of a capitalist farmer was determined by the competition of capital, the size of the population, and the varying fertility of the soil.'[67] Ranade's objection was that, since the state had become the sole landlord in the country, the cultivator paid not a competitive but a monopoly rent which the government was in a position to pitch as high as it liked and which frequently encroached upon the profits and wages of the cultivator.[68] Joshi's objection was even more fundamental. He pointed out that Ricardo's theory assumed the existence of capitalist farmers who just did not exist in India. The Indian cultivator, both in the zamindari and the ryotwari areas, was more in the nature of a cottier tenant than a capitalist farmer moved by considerations of economic profit. According to him, there were two basic factors in the situation: (a) the immediate object of the cultivator was sheer subsistence and not profit on capital invested; and (b) there was intense

64. See Stokes, *op. cit.*, Chapter II, in particular, pp. 108-09, 114, 128, 137.

65. *Ibid.*, p. 88; David Ricardo, *The Principles of Political Economy and Taxation* (Everyman Library Edition, London, 1943), Chapters II and XXXII; Eric Roll, *A History of Economic Thought* (New York, 1947), pp. 195-6.

66. Stokes, *op. cit.*, pp. 77, 89, 93, 127-8, 131-3.

67. *Ibid.*, p. 135. Also Ricardo, *op. cit.*, Chapter II.

68. Ranade, *Essays*, p. 30; 'Land Law Reform and Agricultural Banks', *JPSS*, Oct. 1881 (Vol. IV, No. 2), p. 54.

competition for land among the cultivators because of the growing population, gradual disappearance of cultivable waste, and 'failure of non-agricultural industries'. In consequence the ryot, driven by 'cruel economic necessity' and sooner than part with his only source of living—his patch of land—and become a landless labourer, agreed to almost any terms imposed by the state or the private landlord even if it meant living below subsistence level.[69]

Ranade and Joshi also criticised the theory of the unearned increment that was a natural corollary of Ricardo's theory of rent. According to this theory if the rent of a piece of land increased by more than the prevailing rate of profit on capital that might have in the meantime been invested in it then the difference between the two formed an unearned increment to rent, which would be the product of the general fall in the rate of profit and the general progress of the community and which would, therefore, legitimately belong to society rather than to the owner of land who would tend to appropriate it parasitically.[70] Ranade and Joshi argued that the application of this theory in the Indian system of land revenue assumed a dynamic upward movement of society and economy and rent but a static situation in landownership. But there was no warrant for this assumption in actuality. Unlike in England, where land continued in the possession of the same family for generations, in India land was constantly changing hands with the result that each incoming owner paid for it at its full current value—both earned and unearned—and the unearned income of the past totally disappeared in the process.[71] Moreover, remarked Joshi, in their search for the unearned income the Indian revenue

69. Joshi, *op. cit.*, pp. 892-4, 900-01. It may be noted that both Ranade and Joshi were relying heavily on John Stuart Mill's *Principles of Political Economy*, Chapter IX.

70. Stokes, *op. cit.*, pp. 89-90; Ricardo, *op. cit.*, Chapters II and XXXI. For example, the theory of unearned increment found open expression in Curzon's *Land Resolution*, dated 16 Jan. 1902. See paras 18, 22.

71. Ranade, *Essays*, pp. 29-30; Joshi, *op. cit.*, pp. 363, 894-6.

thorities often took recourse to 'forced increment' and in the ocess encroached on the very livelihood of the cultivator.[72]

III. FREE TRADE VS PROTECTION

m the beginning the nationalists were deeply interested in e question of Free Trade vs Protection. As early as 1877, K. T. lang had remarked in the course of a long paper on 'Free ade and Protection—from an Indian Point of View': 'It is subject so intimately connected with the whole future of our ıntry—no less in its social and political than in its industrial pects—that it is impossible to exaggerate the importance of aving correct views upon it.'[73]

The nationalist leaders with near unanimity demanded that n the interest of healthy economic development the Govern- ent of India should help the nascent industries of the country granting them protection.[74] Thus, for example, G. Subrama- ı Iyer wrote in 1903:

> To bring into existence a variety of non-agricultural occupations is the most paramount want of the country and this can be done... by the adoption of a policy of Protection....

72. Joshi, *op. cit.*, pp. 894, 901. Commenting on the official plea that the government, as trustees of the whole community, would not be justified in sacrificing future increases in revenue due to unearned increment for the benefit of a section of the population, he remarked: 'Would that the tillers of the soil were a section and a small section of the population!' (*ibid.*, p. 902). It was certainly strange, if not ironical, that a theory created by the author, Ricardo, to save the mass of people of England from being exploited by a handful of landlords was used in India to impose heavy taxation on the mass of people in the name of the community.

P. 1.

74. Bholonath Chandra, *M.M.*, June 1873 (Vol. II), pp. 99, 109, 235; Naoroji, *Poverty*, p. 62; Telang, *Free Trade and Protection*, pp. 32, 62-4, 69-70; Joshi, *op. cit.*, pp. 680-2, 749; Ranade, *Essays*, p. 25; Ray, *Poverty*, Chapter I (particularly pp. 44, 51); Gokhale, *Welby Commission*, Vol. III, Qs. 18165-7; Mehta, *Speeches*, p. 750; Dutt, *England and India*, p. 133, *Speeches II*, p. 127-8, in *India*, 27 Nov. 1903; G. S. Iyer, *EA*, pp. 101, 107, 255, 345-6, 349-50, in *East and West*, Aug. 1903, p. 884; S. N. Banerjea, *Rep. INC* for 1896, p. 136, in *CPA*, p. 636; G. R. M. Chitnavis, *LCP*, 1894, Vol. XXXIII, p. 156; P. A. Charlu, *LCP*, 1899, Vol. XXXVIII, pp. 178-9; Wacha, *Speeches*, p. 442; *Rast Goftar*, 24 March (*RNPBom.*, 30 March 1878); *Guzerat Mitra*,

> so long as the present so-called Free Trade and unequal competition continue, India has no hope of a future which will be distinguished by material prosperity. . . . To preserve the foodgrains and raw materials that she produces for consumption in her own domestic markets, by taxing their exports, and to prevent the import of competitive manufactures by protective duties in view to the growth of indigenous industries—this is the policy that alone will save India.[75]

Strangely enough, however, the Indian National Congress did not demand protection even once during the first 20 years of its existence. This was perhaps partly in deference to its Radical allies in England and partly due to its reluctance to put forward a demand that was, in view of Britain's stern adherence to Free Trade, obviously 'unrealisable' politically.[76]

Seeing that the doctrine of Free Trade was a major hindrance in the path of industrial progress through protection, the nationalist leaders set out to disprove its validity in Indian conditions and to show that, on the other hand, protection would be useful and not harmful to the long-range interests of India. The earliest and the most scientific effort in the direction was made by K. T. Telang in 1877 in the paper referred to earlier. Many later writers seem to have relied on this work.

The main nationalist argument against Free Trade was its unsuitability to India.[77] The Indian leaders said that it might

7 Apr. (*ibid.*, 13 Apr. 1878); *Mahratta*, 12, 19 June, 4 Dec. 1881, 26 March 1882, 11 Apr. 1897, 26 March, 2 Apr. 1899, 11 Nov. 1900, 30 March 1902; *Bombay Samachar*, 8 July (RNPBom., 9 July 1881); 'A Statement of Indian Questions', *JPSS*, July 1881 (Vol. IV, No. 1), p. 15; *Bombay Samachar*, 11 March (RNPBom., 14 March 1885); *Kerala Patram*, 21 Nov. (RNPM, 30 Nov. 1890); *Bengalee*, 15 Apr. 1893, 22 Dec. 1894, 19 May 1901, 14 Oct. 1903; *ABP*, 8 Sept. 1897; *Hindu*, 26 Nov. 1900, 13 Oct. 1903; *Madras Standard*, 21 Jan. (RNPM, 25 Jan. 1902); *New India*, 21 Apr. 1902.

75. EA, p. 350.

76. The impossibility of the demand for protection being accepted by Britain was the reason given by several prominent nationalist leaders for not pressing it. See Joshi, *op. cit.*, pp. 749, 822; Ranade, *Essays*, pp. 33, 189, 191; N. G. Chandavarkar in CPA, pp. 526-7; S. N. Banerjea in CPA, p. 696; Dutt, *England and India*, p. 134.

77. Telang, *loc. cit.*, pp. 12, 15, 17, 69; *ABP*, 1 Dec. 1870; Naoroji, *Poverty*, p. 62; Ranade, *Essays*, p. 25; Ray, *Poverty*, p. 66; G. S. Iyer, EA, pp. 240-2, 245; *Bengalee*, 15 Apr. 1893, 19 May 1901; *Madras Standard*, 21 Jan. (RNPM,

have benefited England, but in India it had only caused, and was causing, industrial havoc.[78] They further maintained that Free Trade could exist only among equals; between India and England it was something like 'a race between a starving, exhausting (*sic!*) invalid, and a strong man with a horse to ride on'.[79]

Some of the Indian leaders also refuted the assertion that protection restricted the freedom of the consumer and the liberty of the entrepreneur. They said that liberty and freedom could not possibly mean freedom to foreigners to ruin India's nascent enterprises through unlimited competition and that, in fact, in Indian conditions real liberty would come only through protection and 'artificial nourishment', while Free Trade meant giving protection to England, the stronger party.[80] As far as the cost of protection to the consumer was concerned, they were convinced that the nation would be quite willing to bear it especially since the long-term benefits of fall in prices, increase in wages and employment, and general growth of national income would far outweigh the cost.[81] Telang also had little difficulty in showing that in India protection would not lead to the diversion of capital from its natural channels but would instead help mobilise the country's idle hoards.[82] As far as labour was concerned, he continued, the consequences of pro-

25 Jan. 1902). Expressing this feeling, the *Mahratta* of 26 March 1899 wrote: 'The principle of Free Trade is an exotic plant in India being sought to be cultivated under the shade of British Rule; but the Indian soil cannot become congenial to it for a long time to come and therefore all forcible attempts made to grow it must end in failure.'

78. Telang, *loc. cit.*, pp. 12, 49; *Som Prakash*, 24 Apr. (*RNPBeng.*, 29 Apr. 1882); Joshi, *op. cit.*, p. 680; Ray, *Poverty*, pp. 33-4, 51; Gokhale, *Welby Commission*, Vol. III, Qs. 18141, 18155, 18163-4; Wacha in *CPA*, p. 623; S. N. Banerjea in *CPA*, pp. 692-3; P. Mehta, *Speeches*, p. 750; G. S. Iyer, *EA*, pp. 240, 350.

79. Naoroji, *Poverty*, p. 62. Also Telang, *loc. cit.*, p. 65; Murlidhar, *Rep. INC for 1891*, p. 21; Ray, *Poverty*, pp. 66, 70-3; G. S. Iyer, *EA*, p. 103.

80. Telang, *loc. cit.*, pp. 68-9; *Mahratta*, 12 June 1881; Joshi, *op. cit.*, p. 684; Ray, *Poverty*, p. 39; G. S. Iyer, *EA*, pp. 104, 329.

81. Telang, *loc. cit.*, pp. 10-11; Ray, *Poverty*, pp. 136-7; G. S. Iyer, *EA*, pp. 244-5.

82. Telang, *loc. cit.*, pp. 14-24.

tection and the resultant growth of industry would be entirely beneficial; it would lead to an increase in the price of labour because of the increased demand for it. This led him to say that even if protection did diminish the aggregate production of a country it would still be desirable in a country like India in order to secure a more equitable distribution of national income. 'After all,' he wrote, 'it does not do much good to a country to have a few bloated fortunes in the midst of a dead level of indigence here and there chequered with squalid misery. It is better, I humbly conceive, to have fewer large fortunes if the population at large be at the same time removed above the needs of starvation and misery.'[83]

Several Indian economists questioned the chief premise of the Classical economists that Free Trade led, through the working of comparative costs, to the most efficient geographical division of labour. They refused to accept as 'almost a Providential dispensation' any division of labour that would consign India for ever to be a producer of raw materials, and rejected the assumption that 'India should continue to export the raw material to England and import the manufactured goods from England'.[84] They asserted that India was by its history, geography, and resources eminently fitted to be a great manufacturing country.[85] In any case, temporary protection was needed to test whether or not certain industries were better suited to new countries than to their old habitats.[86] Moreover, there could be no fair and mutually beneficial division of labour till the full capacities of every nation were known and developed. To have universal Free Trade just at the moment would stereotype the existing pattern of international division of labour and mean that those countries which had developed earlier would

83. *Ibid.*, p. 24. Also see Ray, *Poverty*, pp. 47-8.

84. Telang, *loc. cit.*, pp. 34-5; Ranade, *Essays*, pp. 24-5; G. S. Iyer, EA, pp. 257-9, 274-5, 329-30. Also see Ranade, 'Review of "Free Trade and English Commerce"', pp. 54-5.

85. Ranade, *Essays*, p. 25; G. S. Iyer, EA, pp. 274-5.

86. Ranade, *Essays*, p. 25; G. S. Iyer, EA, pp. 274-5. Also see Telang, *loc. cit.*, pp. 12-3.

for ever remain industrially advanced while others like India would be further reduced to an agrarian status pure and simple.[87] In this context, K. T. Telang warned against a country being reduced to a single-industry country since any change in fashions, tastes, and needs affecting its products would spell disaster for it.[88]

Several of the Indian leaders also argued that protection to infant industries for a limited period of time was not opposed even to the tenets of *laissez faire*, and pointed to the writings of John Stuart Mill as having approved of protection in the type of situation prevailing in India.[89] In fact, many of them claimed to be free traders in principle who were favouring protection for India as a special case.[90]

Some of them brought forward a very ingenious argument to prove the correctness and justice of protection in India's case. Referring to the heavy duties imposed on the import of Indian manufactures in England up to the middle of the 19th century, K. T. Telang, for example, asserted that 'the agency employed to destroy our indigenous manufactures was this very Protection' and claimed that all the Indians asked for was that 'the same instrument which was used as a sword against us should now be used as a shield for us'.[91] Similarly, R. C. Dutt remarked caustically: 'But in India the Manufacturing Power of the people was stamped out by protection against her industries, and then free trade was forced on her so as to prevent a revival.'[92]

87. Telang, *loc. cit.*, pp. 34-5; *Mahratta*, 12 June 1881; *Hindu*, 23 March 1885; Ranade, *Essays*, pp. 25-6.

88. Telang, *loc. cit.*, pp. 36-7.

89. Telang, *loc. cit.*, p. 67; *Mahratta*, 19 June 1881; *ABP*, 6 Apr. 1882; Ranade, *Essays*, p. 25; Ray, *Poverty*, pp. 45-6; S. N. Banerjea, *Rep. INC for 1896*, p. 136; Dutt in *India*, 27 Nov. 1903.

90. Joshi, *op. cit.*, p. 822; P. Mehta, *Speeches*, p. 750; Wacha, *Rep. INC for 1895*, p. 159, *Speeches*, p. 422, introduction to P. Mehta, *Speeches*, p. 14, and introduction to Telang, *Speeches*, pp. xi-xii; Naoroji, *Poverty*, p. 62, in *CPA*, p. 881; L. M. Ghose in *CPA*, p. 754. Also see Karve, *op. cit.*, p. 134.

91. He went on to remark that protection in India would be no injustice to England, but that even if it was, 'the injustice would only operate by way of compensation' (*loc. cit.*, pp. 63-4). Also see P. Mehta, *Speeches*, p. 750.

92. Dutt, *EHI*, p. 302. Dutt substantiated this statement at length in both

To strengthen their case for protection, the Indian leaders appealed to the practice of nations as against the theories of political economy and pointed out that nearly all the free nations of Europe and America and Britain's own colonies like Canada and Australia had protected their newly started industries whenever these were threatened by foreign competitors.[93] They also very acutely noted that England itself had reared its modern industries under the fostering care of protection during the last decades of the 18th century and the opening decades of the 19th century, and that it was only after its industrial machine had been properly geared up for successful competition abroad that it had proclaimed to the world the doctrine of Free Trade.[94] Also, R. C. Dutt and G. Subramaniya Iyer did not fail to notice that while the British economists like Adam Smith had been loudly preaching the doctrine of Free Trade from the end of the 18th century onwards, the British statesmen turned free traders much later and only when it suited Britain.[95] Many of the nationalist leaders went to the extent of saying that the British did not sincerely believe in the principles of Free Trade and were using them as a cover—or, as G. V. Joshi put it, a 'metaphysical framework'—to push their products in India and to prevent the growth of an industrial rival.[96]

the volumes of his *Economic History of India* and his numerous speeches and articles. Also see ABP, 30 March 1882; G. S. Iyer, EA, pp. 106, 242-3; Wacha in CPA, p. 623; S. N. Banerjea in CPA, pp. 692-6.

93. 'A Statement of Questions', JPSS, July 1881 (Vol. IV, No. 1), p. 15; ABP, 30 March, 6 Apr. 1882; Ranade, *Essays*, p. 25; Ray, *Poverty*, pp. 58-66; *Mahratta*, 17 Jan. 1886, 11 Apr. 1897, 11 Nov. 1900; Dutt, EHI, p. 302, in *India*, 27 Nov. 1903; S. N. Banerjea in CPA, p. 696; G. S. Iyer, EA, pp. 104-05, 109, 245, 328.

94. Telang, *loc. cit.*, p. 65; Ray, *Poverty*, pp. 53-8; *Mahratta*, 11 Apr. 1897; Dutt in *India*, 27 Nov. 1903; G. S. Iyer, EA, pp. 244-5, 328, in *East and West*, Aug. 1903, p. 884; N. G. Chandavarkar in CPA, p. 526; S. N. Banerjea in CPA, p. 696.

95. Dutt, EHI, p. 302; G. S. Iyer, EA, pp. 252-3.

96. Joshi, *op. cit.*, p. 674; *Mahratta*, 17 Jan. 1886; S. N. Banerjea, *Rep. INC for 1896*, p. 136; Ray, *Poverty*, p. 39; Dutt in *India*, 27 Nov. 1903; G. S. Iyer, EA, pp. 116-7, 258-9, 329.

In spite of their criticism of Free Trade and advocacy of a protective umbrella for industries, none of the prominent nationalist leaders adopted a doctrinaire position in favour of protection. Their attitude in the matter was highly eclectic. This was but natural for their rejection of Free Trade was also not doctrinaire. As in case of their other economic attitudes, their tariff policy was not the product of general principles of economics but sprang from, and was closely related to, concrete economic issues. This eclecticism, inherent in their very defence of protection, was sometimes clearly articulated. For instance, R. C. Dutt wrote in 1901: 'I do not pin my faith to Free Trade, and I do not pin my faith to Protection. I hold that the policy most conducive to the prosperity and happiness of the people of India is the policy which should be adopted for India.'[97] In fact, as some of the nationalist leaders openly stated during the first years of the 20th century, what they desired was not so much protection as the right to frame an independent tariff policy.[98] At this time a few Indians also began to discriminate between different types of protection and see clearly that the wrong-type of protection could result in a large scale influx of foreign capital which would be able to use protection to monopolise the industrial field. Thus the editor of the *Hindustan Review and Kayastha Samachar* wrote in November 1903:

> ... with the present political and economic subjection of India to England, the adoption of a policy of Protection is most likely to be abused in favour of the Anglo-Indian producers and alien exploiters generally and... the struggle will be between the British capitalist and the foreign capitalist

97. Dutt, *Speeches II*, p. 127. Similarly, the *Mahratta* of 22 Nov. 1903 declared: 'India wants neither Free Trade, nor Protection in an unadulterated form. She wants both in such a measure as will make up the conditions of national economy best suited to her present situation.' Also see Ranade, 'Review of "Free Trade and English Commerce"', *loc. cit.*, p. 56; Joshi, *op. cit.*, p. 822; Ray, *Poverty*, p. 65.

98. *Tribune*, 1 Apr. (*RNPP*, 12 Apr. 1902); *Mahratta*, 5 July 1903; *Indian People*, 16 Oct. 1903; *Hindu*, 27 Nov. 1903; *HR*, Nov. 1903, p. 442; *Bengalee*, 13 Feb. 1904.

> and not between the Indians on the one hand and all aliens on the other.[99]

Similarly, the *Hindu* of 13 October 1903 observed:

> ... there is no less grave danger of the interests of the Indian people being dominated by those of Europeans who have invested their capital in this country. A boon which is intended for India may fall really to the lot of the European planters and merchants.... there is an increasing tendency among certain class of people to speak of the interests of India as though they are the interests of the small number of Europeans who are engaged in exploiting the country.[100]

IV. SOME OTHER OBSERVATIONS

In conclusion attention may be drawn to a few other important aspects of the doctrinal outlook of the nationalist economists.

An important aspect of the economic thinking of the nationalists was its social orientation. As has been shown above, the nationalist economists realised that economic ideas and policies had to be subordinated to socially derived goals and perspectives. In fact the entire economic thought of the nationalists was pervaded by this understanding; and this notion of subjecting economic thinking and policy to socially integrated goals perhaps forms the specific core of what is known as Indian economics. This view of economic ideas and policy also established from the very beginning close interrelation between Indian economics and politics. It enabled the nationalist leaders to link nearly every important economic question with the politically dependent status of the country and to take note of the most important political and economic aspect of the Indian reality—that India was being ruled by a foreign power for the purposes of economic exploitation.

99. P. 441.

100. Also see *Indian People*, 16 Oct. 1903. This feeling found a more authoritative spokesman in 1911 in G. K. Gokhale. See his *Speeches*, pp. 514-5.

Apart from this, while their economic thinking was ahead of contemporary English thinking and in tune with thinking in Europe and America—in stressing that the same propositions of economics could not be applied to countries at different stages of economic development and that for each country these propositions should be formulated in the context of the general economic needs of the country concerned —it did not yet result in the emergence of any new 'Indian' system of economic ideas or theories.[101] In spite of the use of adjectives like 'Indian' and 'national' before their economic thought, the Indian nationalist economists did not discover any new economic laws which would arise out of, and be applicable only to, the specific and peculiar conditions of India. What we get from them is an amalgam of the ideas of Classical economists and their later-day critics. It might almost be said that Indian Political Economy was more an attitude of mind, an approach towards Indian economic problems, and a method of economic reasoning than a system of economic thought.

This was largely due to the fact that the nationalist economists' interest in economic theory was secondary or derivative. They were not professional economists interested in developing economic theory or in evolving an Indian version of it. They, therefore, made no attempt to grapple with theory *per se*. Their comments on economic theory have, in fact, to be gleaned from a vast mass of writing on contemporary economic problems. Their political economy arose out of a very practical consideration: because the rulers of India used the authority of Classical economics to oppose nationalist demands, the nationalist leaders in turn felt it necessary to challenge the universality of Classical economics and its applicability to Indian conditions. This rather mundane origin of their economic thought was sometimes consciously expressed by them. Thus they said that they had to demolish the doctrine of

101. Cf. Kellock, 'Ranade and After', *loc. cit.*, p. 253; Karve, *op. cit.*, pp. 45, 47.

laissez faire functions of the state as it came in the way of state assistance to industries,[102] the Ricardian theory of rent because it was used to justify the high pitch of land revenue, to reject their demand for the permanent settlement of land revenue, and to deny their allegation that the level of taxation in India was very high,[103] the doctrine of Free Trade because it was in part responsible for the repeal of cotton import duties, imposition of cotton excise duties, and the refusal to grant protection to nascent industries.[104]

But even though there was nothing new in the economic thought of the nationalists, mere statement of the Indian point of view and adaptation of European thought to Indian questions had an importance of its own. After all the very act of choosing between different theoretical positions constitutes an act of theorising and is even theoretically significant. The Indian leaders revealed that, though the products of English education, they were at no stage overwhelmed by it and were not afraid of attacking the shibboleths governing the English mind. Moreover, they also deserve credit for taking a comprehensive and integrated view of economic science. Though they did not develop a consistent economic theory or political economy of growth, they did do the next best thing—they gave a consistent, integrated, interrelated picture of Indian economy, its diseases, their relation to the alien rule, and the remedies to be applied. We may go so far as to say that they tried to evolve some sort of political economy of growth in which developments in industry, foreign trade, fiscal policy, and agriculture were closely intertwined and which was geared first of all to rapid industrialisation of the country. In this connection, it may also be noted that the relativity of economic principles and the notion of Indian 'exceptionalism' were utilised by the early nationalist leaders not to justify or conserve the 'purely indigen-

102. Ranade, *Essays*, pp. 27, 33.

103. Joshi, *op. cit.*, pp. 574, 901; Dutt, *Famines in India*, p. 95.

104. Telang, *loc. cit.*, p. 1; Ranade, 'Review of "Free Trade and English Commerce"', *loc. cit.*, p. 51; *Mahratta*, 11 Nov. 1900; G. S. Iyer, EA, p. vi and Appendix p. 3.

ous or pre-modern pattern of Indian economy but to accelerate the speed of its modernisation. Classical economics was rejected not because it was disrupting the age-old pattern of Indian social life but because its rigid and indiscriminate application tended to perpetuate the 'old legacies and inherited weaknesses',[105] and 'the ancient bondage of Feudalism and status';[106] and an 'Indian Political Economy' was brought forth to promote the rapid transformation and modernisation of the national economic life.

105. Ranade, *Essays*, p. 23.
106. *Ibid.*, p. 65.

CHAPTER XV

Economic Nationalism

The fact is, you cannot both be a conquering nation and a benevolent nation at the same time.

— *Amrita Bazar Patrika*, 12 February 1892

You announce yourself as a sincere supporter of British rule; you vehemently denounce the conditions and consequences which are inseparable from the maintenance of that rule.

— GEORGE HAMILTON

I. ANALYSIS OF THE NATURE AND PURPOSE OF BRITISH RULE IN INDIA

The attitude that the Indian national leadership of the period under study adopted towards British rule was ultimately determined by their understanding of its nature and purpose. In the case of most of them this understanding was not derived from theoretical reasoning or *a priori* assumptions: practice was the hard school in which they were brought up. One such field of their education was that of economic policies. Debate and discussion between Indians and Indians, on the one hand, and between Indians and their rulers, on the other, over nearly every economic issue that arose in contemporary administration and politics had some bearing on this basic political understanding. In the end, the multifarious controversies over economic policies, and, in particular, over the causes of India's poverty and the consequent remedies, led large sections of the nationalist leadership to believe—sometimes hesitantly and even confusedly, as in the case of G. K. Gokhale, G. V. Joshi,

Surendranath Banerjea, D. E. Wacha, and R. C. Dutt, but often in a clear-cut manner, as in the case of Dadabhai Naoroji, B. G. Tilak, G. Subramaniya Iyer, the *Amrita Bazar Patrika*, the *Mahratta*, and numerous other nationalist papers—that, on the whole, British rule was economically injurious to India and that perhaps it was designedly so.

To many of the Indian leaders, particularly to those who later came to be known as Moderates, British rule held for long a great promise. They were dazzled by the initial impact on India of Britain, the most advanced nation of the contemporary world. To them, law and order and a modern centralised administration, coming as they did after the near-political anarchy of the 18th and early 19th centuries, the spread of modern education and through its medium of Western democratic thought and enlightenment, the introduction of the freedom of speech and the Press and of social liberty, but perhaps most of all the process of the welding of the people of India into one common nationality, the consequent growth all over the country of the feeling of belonging to one common entity, and the birth of a new political life—all seemed to follow in the wake of, and were therefore the accomplishments of, British Raj and heralded the coming dawn. In the realm of economics, it was the prospect of rapid industrial development that attracted them. Western science and technique and economic organisation and the example of vigorous European enterprise, they hoped, would reclaim the country from the slough of economic backwardness and stagnation. The railways, roads, and canals, the link with the flourishing markets of the world, the early textile industry, and the foreign commercial, industrial, and plantation enterprises appeared to be a preparation for, and a prelude to, the coming industrial revolution whose first signs were already visible.[1]

It was not as if the early nationalists were not aware of the prevalence of poverty and other economic disabilities. But they

1. See, for example, Naoroji, *Essays*, pp. 26-7; and Ranade, *Essays*, pp. 23, 65-6, 118-9.

believed that the credit side of British rule outweighed the debit side, and they hoped that with the passage of time disabilities would become less and less and the benefits realised more and more. In other words, in the material field, they were attracted more by the potential than the real, more by the hope than the fulfilment.[2]

With the passage of time, however, and as they waited—some patiently, others impatiently—for the tide of progress to rise ever higher, however slowly, they found that their expectations remained unrealised and even appeared to recede farther and farther; they were filled with disappointment and dismay, and their image of British rule began to take on darker hues. As far as economic life was concerned, progress appeared to be halting and too slow, and some even felt that, on the contrary, the country was economically regressing. In course of time, the evidence of India's dismal poverty began to overshadow their entire economic outlook. The one ray of hope was the growth of modern industry and here it appeared to them that official economic policies were perhaps the most important road-block.

And so gratefulness and praise began to give way to constant carping and grieving so far as economic issues were concerned;[3] and the Indian leaders began to complain that poverty was stalking the land, the peasant was rack-rented by the revenue authorities, indigenous industry had been ruined and modern industry was deliberately discouraged or at least not sufficiently encouraged, essential food supply of the country was being exported, currency policy was manipulated against the interests of Indian industry and peasantry, Indian labour

2. See, for example, Naoroji, *Essays*, pp. 37, 131-5; 'The Exigencies of Progress in India', *JPSS*, Apr. 1893 (Vol. XV, No. 4), pp. 15-6.

3. So much so that, in 1904, Edward Law, Finance Member, cried out in exasperation against the constant criticism by G. K. Gokhale, the mildest of the Indian leaders of the day: 'When he takes his seat at this Council table he unconsciously perhaps adopts the role and demeanour of the habitual mourner, and his sad wails and lamentations at the delinquencies of Government are as piteous as long practice and training can make them... (*LCP*, 1904, Vol. XLIII, p. 542).

was being enslaved in foreign-owned plantations, railways were being extended in neglect of Indian revenues and the needs of agricultural development, the burden of taxation was crushing and the public revenues were diverted from nation-building departments to serve non-Indian interests and to wage unnecessary and expansionist wars, and lastly—the heaviest complaint of all—India was being drained of its wealth and capital. And all these economic evils, they came to feel, were the direct or indirect consequences of British economic policy in India: if 'the Indian economic world was out-of-joint', the responsibility was largely that of Britain. Thus, in the eyes of the nationalist leaders, all the other advantages of British rule in the past and the present paled before its economic disadvantages.[4] And, in course of time, this 'decadence of faith' led to the questioning not only of the results of British rule but also of its very whys and wherefores: Why had India not progressed materially and why had not the early promise in this respect been realised? Who was responsible for this failure? Was the injury done to India inadvertent or deliberate? In other words, what was the real purpose of British rule and, as a corollary, could their own faith in its 'Providential' character be reconciled with their current belief that the

4. For example, Dadabhai Naoroji wrote: 'It is useless and absurd to remind us constantly that once the British fiat brought order out of chaos, and to make that an everlasting excuse for subsequent shortcomings and the material and moral impoverishment of the country. The Natives of the present day have not seen that chaos, and do not feel it; and though they understand it, and very thankful they are for the order brought, they see the present drain, distress, and destruction, and they feel it and bewail it' (*Poverty*, p. 219). Similarly, R. C. Dutt wrote: 'British rule has given peace; but British Administration has not promoted or widened these sources of National Wealth in India' (*EHII*, p. vii). And *Kesari* wrote in its issue dated 31 March 1903: 'There is unity and equality among the Indians, but it is the same kind of unity and equality as is found among the servants of a common master or the flock of a shepherd. Our rulers are not willing to entrust us with responsible duties or to admit us to a partnership in trade and industry' (*RNPBom.*, 4 Apr. 1903). Also see, for instance, Naoroji, *Poverty*, pp. 209-12, 224-8, 579, 652-3, quoted in Masani, *op. cit.*, pp. 443, 447, in *CPA*, p. 22; *Bengalee*, 10 May 1884; A. L. Roy's article in *Mahratta*, 6 June 1886; L. M. Ghose in *CPA*, p. 762; R. N. Mudholkar in *Indian Politics*, p. 37; G. S. Iyer, *EA*, p. 330.

rule had been materially injurious to India?

As is well known, a large number of Indian leaders believed for many years that the material injury to India was the result of lack of proper understanding of the Indian situation on the part of the British people, parliament, and government —or, at the most, of the exigencies of party politics in Britain —and of the consequent mistakes of policy and of faulty implementation of even correct policies by the bureaucracy in India or the party leaders at home. In other words, ignorance and errors of judgment on the part of the rulers or at the most the frailties of democratic politics and not any deliberate policy or intention were responsible for India's economic backwardness. Hence, for these nationalist leaders, the chief consolation lay in an abiding faith in the sense of justice and fairness and generosity of the people of Britain, i.e., in 'the conscience of England'. They, therefore, felt that if the Governments of India and England and the British public and parliament only came to know and grasp the real facts of the situation, the needful would be done. Consequently, they made all possible attempts to impart the needed instruction.[5] But their educational campaigning, their economic analysis, and their political agitation to awaken the British conscience failed in getting their economic grievances redressed in the way they desired. And slowly their faith was being shattered, their confidence in the sense of justice of their rulers shaken, and the seed of distrust sown deep.

Gradually, and in course of time, agitation on concrete economic issues, in particular those relating to tariff policy and the drain, tended to convince wider and wider strata of Indian people and leaders[6] that the good will of individual Englishmen,

5. Interestingly enough, not only the Moderates but the *Amrita Bazar Patrika* and B. G. Tilak also emphasised the need of winning over British public and parliamentarians to India's cause. See, for example, *ABP*, 8 Oct. 1874, 26 Apr. 1883; Tilak, *Rep. INC for 1904*, pp. 150-1, and quoted in Pradhan and Bhagwat, *op. cit.*, p. 80.

6. It may be kept in view that different leaders acquired this conviction at different points of time and in relation to different issues. For R. C. Dutt,

and administrators and statesmen notwithstanding, the economic policies of British Raj sprang from its very nature and character, that poverty and economic backwardness were perhaps not so much the product of the rulers' well-intentioned mistakes as the concomitants of their rule, that this rule was fundamentally rooted in a desire to exploit India economically and was therefore harmful to India's economic growth, that Britain's sense of justice and generosity were overcome by the desire to utilise the economic resources of India for its own advantage. We have already shown at some length how the Indian leaders came to be discontented with particular measures of official economic policy and how in nearly every instance many of them arrived at the conclusion that Britain was ruling India for British and not Indian purposes. Here it may only be added that many of them reached this conclusion even at the level of generalisation.[7] In the Press, this generalisation found expression in the frequent reference to India as

for example, the transition came in the short period between 1897 and 1901, that is between the years of publication of *England and India* and the first volume of the *Economic History of India*.

7. Naoroji, *Poverty*, pp. v, vii, 211, 224, *Speeches*, pp. 142, 227-8, 276-8, 328, 396, in *Statesman*, 19 Jan. 1898, and in *India*, 7 Aug. 1903, p. 67; Joshi, *op. cit.*, pp. 674-7; Ray, *Poverty*, pp. 37-9; P. Mehta, *Speeches*, p. 815; G. S. Iyer, *EA*, title page and pp. 116-7, 123-5, 239, 329, and in *East and West*, 1903 (Vol. II), p. 888; Dutt, *EHI*, p. xv, *EHII*, p. xviii (in fact, both volumes of his *Economic History* are permeated with this feeling); Tilak, quoted in Pradhan and Bhagwat, *op. cit.*, p. 72; L. M. Ghose in *CPA*, p. 761; Gokhale, *Speeches*, pp. 1084, 1156-7; A. L. Roy's article in *Mahratta*, 30 May, 6 June 1886; For newspapers, see, for example, *Hitechchu*, 25 March (*RNPBom.*, 3 Apr. 1880); *ABP*, 19 Oct. 1882, 4 Jan. 1883, 7 Oct. 1886, 12 Feb. 1892, 20 May 1896; *Mahratta*, 21 Dec. 1884, 30 Dec. 1894, 30 Oct. 1904; *Ananda Bazar Patrika*, 31 March (*RNPBeng.*, 5 Apr. 1884); *Navavibhakar*, 21 Apr. (*ibid.*, 26 Apr. 1884); *Sadharani*, 15 June (*ibid.*, 21 June 1884); *Samaya*, 30 Nov. (*ibid.*, 5 Dec. 1885); *Shams-ul-Akhbar*, 12 Apr. (*RNPM*, Apr. 1886); *Khasm-ul-Akhbar*, 17 June (*ibid.*, June 1886); *Dhumketu*, 20 May (*RNPBeng.*, 28 May 1887); *Bangabasi*, 30 June (*ibid.*, 7 July 1888), 14 June (*ibid.*, 21 June 1890); *Tohfa-i-Hind*, 13 Aug. (*RNPN*, 19 Aug. 1891); *Hitakari*, undated (*RNPBeng.*, 17 Dec. 1892); *Bangabasi*, 1 Sept. (*ibid.*, 8 Sept. 1894); *Poona Vaibhav*, 15 March (*RNPBom.*, 21 March 1896); *Jami-ul-Ulum*, 14 Apr. (*RNPN*, 21 Apr. 1897); *Indu Prakash*, 8 Aug. (*RNPBeng.*, 13 Aug. 1898); *Bengalee*, 9 Apr. 1900; *Kesari*, date missing (*RNPBom.*, 18 Jan. 1902); *Indian People*, 27 Feb. 1903; *Hindu*, 13 Oct. 1903; *Hind Vijaya*, 8 Feb. (*RNPBom.*, 11 Feb. 1905).

the *'kamdhenu'* or the milch cow of England.[8]

To be able to place in better historical perspective the realisation of the exploitative character of British rule on the part of the Indian leaders and their later propagation of it, three other factors may be kept in view. Firstly, an important section of the Indian leadership, consisting primarily of some of the nationalist newspapers, at no stage believed in the benevolent intentions of the rulers; it consisted of people who were described by A. O. Hume in 1888 as 'this objectionable fringe' who 'rail at and abuse the best and friendliest of our rulers and who *sneer, snarl,* and *snap* at everything Government does, good, bad or indifferent'.[9] Secondly, the speeches and writings of many of them continued to abound in the paradox of faith in British benevolence, on the one hand, and assertion of British selfishness, on the other. Sometimes, in the same breath they highlighted British selfishness and reaffirmed their faith in the uplifting mission of the British. They did not find the contradiction between their political belief and their economic understanding to be irresoluble. Dadabhai Naoroji, for example, resolved it by calling British rule in India un-British.[10] Thirdly, the newspapers invariably gave a more open and direct and bold expression to the feelings of the rank and file of national leadership than the public men did, and played an important part in developing and moulding popular nationalist sentiment on economic questions and their political bearings.

In any case it may be suggested that ultimately it was the agitation around economic policies that was carried out un-

8. For example, *Arunodaya,* 15 May (*RNPBom.,* 21 May 1881); *ABP,* 19 Oct. 1882, 13 Feb. 1894; *Som Prakash,* 21 Aug. (*RNPBeng.,* 26 Aug. 1882); *Hindi Pradip,* Jan.-Feb. (*RNPN,* 8 June 1901); C. Y. Chintamani in *HR,* Feb. 1903, p. 233.

9. A. O. Hume, *A Speech on the Indian National Congress and its Origins, Aims, and Objects,* delivered at a public meeting held at Allahabad, 30 Apr. 1888, p. 16.

10. Pherozeshah Mehta put the sentiment in another way by describing nationalist agitation as an effort to raise British rule's 'nobler from its grosser part' (*Speeches,* p. 483).

remittingly by *all* sections of the national leadership which dispelled the halo of beneficence around British rule as far as the vast majority of the Indian leaders and people were concerned.[11] As many British statesmen and Indian nationalist leaders fully recognised, the secret of British power was not only physical force but also moral force; this power was based not only on the sword with which the land was conquered but also on the continuing acquiescence of the people.[12] Mere political and sentimental appeals, however, might not have succeeded in undermining the moral foundations of British rule. They might have at the most led to the condemnation of the rule as a benevolent despotism.[13] In fact, many British administrators and statesmen willingly acknowledged and defended the despotic character of their rule; they only claimed that despotism of the rule—Macaulay's 'firm impartial despotism'—, or 'paternalism' as it popularly came to be known, was essential for its benevolence which might not exist without its 'strength'.[14] In any case the absence of political independence

11. This was put in a very interesting manner by Lal Mohan Ghose, President of the Congress in 1903, as follows: '... may we not ask whether we are to believe that the policy which many years ago killed our indigenous industries, which even only the other day and under a Liberal Administration unblushingly imposed excise duties on our cotton manufactures, which steadily drains our national resources to the extent of something like 20 millions sterling per annum, and which, by imposing heavy burdens on our agricultural population, increases the frequency and intensity of our famines to an extent unknown in former times,—are we to believe that the various administrative acts which have led to those results *were directly inspired by a beneficial Providence?*' (in CPA, p. 743) (Emphasis added).

12. For British view, see, for example, George Hamilton's views, quoted in Stokes, *op. cit.*, p. 300; Curzon, *Speeches I*, p. vi. For Indian view, see Naoroji, *Speeches*, pp. 123, 332, *Essays*, p. 36, *Poverty*, p. 216, in CPA, p. 181; R. B. Ghose, *Speeches*, p. 152; A. M. Bose in CPA, p. 436; 'The Broken Pledge and its Consequences', *JPSS*, July 1879 (Vol. II, No. 1), pp. 43, 46; *Mahratta*, 6 Nov. 1881; Dutt, *England and India*, p. 118.

13. See, for example, Gokhale, *Speeches*, p. 1079.

14. For example, Curzon, *Speeches II*, p. 91, and *Speeches III*, p. 98; J. Strachey, *India* (1903), pp. 495-6; Chesney, *op. cit.*, pp. 390, 394, 398-9. For a detailed discussion of this view, see Stokes, *op. cit.*, p. 65 and Chapter IV. For James Mill's views, see Digby, *op. cit.*, p. 264. According to Dufferin, the foundations of British rule in India were 'Our armies, which secure the submission of the uneducated and apathetic masses; and the uni-

was there for all to see, but why this absence was a political evil had to be demonstrated to the unsophisticated who might not be able to see it as 'an evil-in-itself'. Hence, the historical importance of the nationalist agitation around economic policies which tended to corrode popular confidence in the benevolent character of the British Raj, i.e., in both its good results as well as good intentions. The corrosion inevitably spread to the field of political loyalty which could not coexist, at least in the popular mind—whatever the more sophisticated leaders might say—with the type of charges that were made in the course of this agitation.[15] And in this agitation leaders belonging to all shades of political opinion from the moderate Dadabhai Naoroji, Ranade, Dutt, Gokhale, and Joshi to the extremist Tilak, brothers Sisir Kumar and Motilal Ghose, and numerous nationalist newspapers played an equal part. In this sense, it may be justifiably said that all the nationalist leaders sowed in the land the seeds, if not of sedition, at least of disaffection. Perhaps the only real difference between them was that while some were consciously 'disloyal', others professed, preached, and protested their loyalty and their desire to perpetuate British rule, i.e., remained subjectively loyal to the end of

versal conviction in the minds of the rest of the community that, whatever its shortcomings, our administration is just, impartial, and beneficient, and that the only alternative to it would be either the revival of a Mahomedan tyranny, anarchy, or a Russian conquest' (Dufferin to Secretary of State, 9 July 1886, *Dufferin Papers*). Similarly, the *Times* of 30 December 1897, after boasting that 'There is no achievement in the history of their race in which men of British blood took more pride than in their government of India. In none have the best qualities of rulers—courage, justice, foresight, and self-sacrifice—been more constantly or more nobly displayed... Whatever criticism may be made upon particular points, the main facts are too manifest for reasonable challenge', declared that the principles of parliamentary government were not applicable to India. 'To do so', it wrote, 'would be a short cut to anarchy. The masses of the Indian population are absolutely incapable of self-government in any shape, and they would not quietly submit to be governed by natives.'

15. In 1887, J. B. Piele had remarked in a letter to Dufferin that 'In fact there is not in India any grievance such as incites men to throw away the comforts of peace and draw the sword against their rulers (2 Oct. 1887, *Dufferin Papers*). The economic agitation of the early nationalists created precisely this sense of grievance.

their days, though objectively they too cut at the roots of the empire they considered Providential—they were in fact the fountainheads of 'disloyalty'. And this was one of the major reasons why the period from 1880 to 1905 became a period of intellectual unrest and of spreading national consciousness—the seed-time of modern Indian national movement.

Interestingly enough, many contemporary officials and British statesmen recognised the fact that even the most moderate of the nationalist leaders of the period were playing such a role objectively. They also noted that even the mild and moderate Indian National Congress was becoming, because of its tendency to constantly criticise 'everything that exists', a leaven in place of a safety valve. Thus, for example, George Hamilton, Secretary of State, criticised it in 1897 for never losing 'an opportunity of attacking the Indian Administration and of endeavouring to diminish the influence of that Administration over the people of India';[16] and General Chesney described it as 'thoroughly disloyal'.[17] Regarding the role of the nationalist Press, Dufferin wrote in 1886: 'In this way there can be no doubt there is generated in the minds of those who read these papers... a sincere conviction that we are all of us the enemies of mankind in general and of India in particular.'[18]

16. *Hansard*, Fourth Series, Vol. XLV, 26 Jan. 1897, C. 534. In a letter to Dadabhai Naoroji, dated 6 December 1900, George Hamilton, Secretary of State, complained: 'You announce yourself as a sincere supporter of British rule; you vehemently denounce the conditions and consequences which are inseparable from the maintenance of that rule' (quoted in Masani, *op. cit.*, p. 459). The *Times* of 30 Dec. 1897 wrote in the same vein. For the official British attitude of hostility towards the nationalist leadership, see H. L. Singh, *op. cit.*, Chapter IV. Also see W. S. Seton-Karr, 'The Native Press of India', *Asiatic Quarterly Review*, Vol. VII, 1889, p. 62; Rees, *op. cit.*, Chapter X, and pp. 286-8.

17. He added: 'They always set out indeed with a profession of loyalty to the British Government, but the resolutions they embody are distinctly aimed at rendering that government impossible' (*op. cit.*, p. 385). Also see pp. 382-7.

18. Dufferin to Secretary of State, 17 May 1886, *Dufferin Papers*. A few months later, in a letter, dated 7 August 1886, to A. O. Hume, Dufferin laid down the limits within which he would like the Indian Press to function. After asserting that the British Government had given India a free Press for 'the express purpose that it may canvass and criticise the acts of

II. OPPOSITION TO ECONOMIC IMPERIALISM

The nature of economic policies advocated by the Indian national leaders from 1880 to 1905 gave to these years the character of being the period of economic nationalism. The most important problem which, according to them, faced the Indian people was the economic one, namely that of poverty. It was moreover a national problem, i.e., a problem that embraced the interests of all sections of Indian society. Furthermore, the national leaders cast the blame for this poverty not on nature or the people but on the alien rulers. They suggested certain remedies which were not accepted. This led many of them to doubt the *bona fides* of the rulers and to feel that if the country was not economically progressing it was only because of 'the presence and the policy of the foreigner' and that perhaps there could be no national economic regeneration 'except by their getting rid in the first instance of their European rulers'.

The nature of the remedies the Indian leaders suggested, or of their economic policies, was basically anti-imperialist. They demanded fundamental changes in the existing economic relations between India and Britain. Even when their political demands were moderate, their economic demands were radically nationalist. A study of their economic policies brings out that they had gradually acquired a deep understanding of the complex economic mechanism of the system of British domination over India or of modern imperialism—an understanding they derived by taking in the entire range of economic issues and studying them in their relationships and in their totality within the framework of economic development—and that

the Government, and give vent to the wishes and aspirations of the people', he wanted the Press to accept two obligations, namely, 'that the subjects of its denunciation shall be actual facts, that is to say, the acts, utterances, and expressed opinions of the Government, and not *its supposed intentions or imaginary designs*', and 'that whatever may be the criticism addressed to its policy, the British administration, whether here or at home, *should never be denounced as actuated by malevolent intentions*' (*Dufferin Papers*) (Emphasis added).

they opposed nearly all of the important official economic policies based on this system. They took note of all the three forms of contemporary economic exploitation, viz., through commerce, industry, and finance, and they clearly grasped that the essence of British economic imperialism lay in the subordination of Indian economy to Britain's. They vehemently opposed the attempt, on the part of the alien rulers, to develop in India the basic characteristics of a colonial economy, namely, the transformation of India into a supplier of raw materials, a market for British manufactures, and a field of investment for foreign capital. They criticised the official tariff, trade, transport, and taxation policies as obstructing in place of helping the growth of industry and as bringing about the increasing de-industrialisation of the country. Most of them opposed, both on economic and political grounds, the large-scale import of foreign capital in railways, plantations, and industries and the facilities afforded to it by the government. In their attack on the expenditure on the army and the Civil Service they challenged the very material bases on which British supremacy ultimately rested. In attacking the official land revenue and taxation policies they tended to undermine the financial basis of British rule. They condemned the use of Indian army and revenues for purposes of British expansion in Asia and Africa as being another form of economic exploitation. Some of them even went to the extent of questioning the propriety of placing on Indian revenues the entire burden of British rule itself. In the drain theory, they called into question the very economic essence of the imperial idea, and gave to the popular mind a simple yet powerful symbol to mark foreign economic exploitation.

All their economic demands were ultimately rooted in the desire for a genuine national economic policy which would be determined by the interests of India and not of England. Moreover, in every sphere of economic life, they advocated the lessening and even severance of India's economic dependence on England. Even when they depended upon the British Indian

administration or the British public and parliament to achieve their economic objectives the ultimate end was to lay the foundations of an independent economy. Acceptance of their demands would have gradually but inexorably undermined Britain's privileged economic position in India.

Two other aspects of the nationalist economic agitation may be specially noted. Firstly, the Indian leaders were concerned primarily with the problem of economic development as a whole and not with economic advance in isolated sectors. They refused to examine different aspects of economic life in isolation from the central question of economic growth. Developments in transport, foreign trade, etc., must be seen, they said, in the context of their contribution to the economic development of the country. Even the problem of poverty was seen to be, in the main, the problem of lack of production and of economic development. Economic development, in turn, they believed, consisted primarily of rapid and all-out industrial development of the country. The core of economic growth lay not in the development of foreign trade or means of transport, or in the capacity of the government to raise increasing revenues or to produce balanced budgets, but in industrialisation. This view led them to give their wholehearted, almost obsessive, devotion to the aim of rapid industrialisation. Industrial growth was the vantage point from which they looked at, and judged, nearly all the contemporary economic issues, and they tried to bring into line with the needs of industrial development of India the official economic policies in the fields of foreign trade, railways, tariffs, currency and exchange, labour, public finance, and even agriculture. Even their attack on the drain was made from the point of view of its harmful effects on capital accumulation.

Here it may once again be pointed out that they gave their loyalty to the cause of industry and not of commerce. In their industrial, foreign trade, transport, tariff, exchange, and fiscal policies, they kept uppermost the interests of industry and not of commerce. As a matter of fact, they very often consciously

sacrificed commerce to industry.

Secondly, they adopted a national approach towards economic development; their total concern was with the general welfare of the community and they, therefore, tried to represent the interests of all classes of Indian society. They pleaded for an equitable system of taxation in which the burden of public revenues would be borne by those who could afford to do so; in particular, they continuously agitated for the reduction of land revenue and the salt tax. They pressed for rapid industrialisation so that the sources of national income might be enlarged. They pleaded for expenditure of public revenues in such a manner as to lead to the greatest good of the greatest number. It is true that they did not take up the class demands of the peasantry or the working class. They neither asked for a reform of the existing system of land tenures nor espoused the cause of factory labour. This was to prove a major weakness of the nationalist movement, even in the later period. But, then, theirs was a consciously national approach since they believed that all classes of Indians suffered economically under British rule and that all of them stood to gain under the broad programme of national economic regeneration for which they were agitating.[19] They felt that while they were engaged in the struggle for getting economic justice and equality for the entire nation they should not take up the fight for justice and equality between classes. They decided not to carry on any activity which would tend to divide the people at a time when the need of the hour was to unite them

19. For example, Dadabhai Naoroji laid stress on this fact in 1893 in his Presidential Address to the Indian National Congress: 'We may, I am convinced, rest fully assured that whatever political or national benefit we may acquire will in one or the other way benefit all classes, the benefit of each taking various forms. The interests of us all are the same. We are all in the same boat. We must sink or swim together.... If the country is prosperous, then if one gets scope in one walk of life, another will have in another walk of life. As our Indian saying goes: "If there is water in the well it will come to the cistern." If we have the well of prosperity we shall be able to draw each our share of it. But if the well is dry we must all go without any at all' (In *CPA*, pp. 180-1). Also see Joshi, *op. cit.*, pp. 748-9; R. M. Sayani in *CPA*, p. 309.

into a nation. This perspective, essentially correct, made them ignore other aspects of contemporary reality. The brilliance of their grasp of the essential weaknesses of India's economy arose from the fact that they focused all their thought and attention on India's colonial structure. But then precisely for that reason the weaknesses of India's internal institutional structure tended to escape their attention, at least in the first flush of intellectual illumination. And so they did not realise that even within the limits of a national approach they could do far more to protect the interests of the downtrodden groups and classes. This is not to say that they did nothing in this direction. Within the national limits they imposed on themselves they did actively agitate for the particular welfare of the peasantry and the working class. For example, they carried on a veritable political campaign to get due protection for plantation labour—no clash with any other Indian interests being involved since the employers of labour in this case were foreigners. It may also be noted that already by the end of the 19th century new, pro-labour attitudes were discernible in the outlook of several nationalist leaders. In the case of peasantry, they continuously, and in the end with some success, agitated for the lowering of land revenue and for its permanent settlement. Many of them also pleaded for safeguards against tenants being rack-rented by landlords.[20] Moreover they believed that their chief concern was with the poverty of the peasant who was, in fact, present as the 'invisible man' in nearly the whole of their

20. It may be noted that the lowering of land revenue was the only agrarian demand that was taken up for active agitation by the National Congress during its more vigorous phase during the 1920's and 1930's. The protection of the rack-rented tenant was left to the individual efforts of the Congressmen till 1936 when the Congress for the first time demanded 'a thorough change of the land tenure and revenue systems' and 'immediate relief to the smaller peasantry by a substantial reduction of agricultural rent and revenue' (Indian National Congress, *Resolutions on Economic Policy and Programme* 1924-54, New Delhi, 1954, pp. 12-3). The only agrarian demand that the Eleven Points put forward by Gandhiji as the price for calling off Civil Disobedience included was reduction of land revenue (B. Pattabhi Sitaramayya, *The History of the Indian National Congress*, 1885-1935, Madras, 1935, p. 619).

economic agitation. There were perhaps few nationalist demands which were not ultimately designed to help the peasant. In any case, he would, the nationalist leaders believed, be the chief beneficiary of national economic development just as he was the chief victim of the policies of economic imperialism. All the same the agrarian outlook of the early Indian leaders remained perhaps the main weakness of their economic policies.

At the same time it may be kept in view that, if the Indian leaders refused to espouse the class interests of the peasant and the worker, they also showed a high degree of altruism in proposing policies which went against the narrow interests of that section of society to which most of them belonged, namely, the urban, educated middle class. In other words, their economic policies were not guided by the interests of a 'job-hungry' middle class. This has been amply borne out by our study of their economic policies. To sum up in brief: they opposed the removal of cotton import duties though the 'middle class' was the chief consumer of foreign cloth; they supported protection for industries even though its price would be ultimately borne by this class; many of them supported the countervailing duties on beet sugar even though beet sugar was consumed mostly by this class; they preached swadeshi though foreign goods were cheaper; they supported the falling rupee even though it meant that as buyers of imported goods the members of this class had to pay more and as earners of fixed income the educated employed stood to gain from any increase in the purchasing power of the rupee and to lose by a decrease in it; most of them supported the income tax and opposed the salt tax; they wanted reduction of high salaries and the raising of the salaries of *chaprasis,* constables, soldiers and low-paid clerks; for promotion of industry and welfare activities, they were willing to advocate higher taxation; they criticised railway development which increased the comfort of the 'middle class' and favoured irrigation and industrial development instead; many of the nationalists opposed the development of the country by foreign capital, even though such development opened

out new avenues of employment for the educated Indians; they actively agitated for the replacement of the British-created courts, which led to the ruin of the ryots through litigation, by conciliation courts or by a revival of the old panchayat system. It is of course true that they took up some of the demands of the urban lower, middle, and upper middle classes. But this was done as part of the all-round agitation around the economic demands of all sections of the Indian society.

The mistake that is often made in this respect by writers, both Indian and foreign, is that of looking upon the early Indian nationalist writers, public men, journalists, and thinkers as a class—'the middle class'—instead of seeing them as the intellectual representatives of new Indian classes and of Indian nationalism. As intellectuals some of them might, and did, represent different interests, classes, or groups; at the same time, because they were intellectuals, their thinking was guided, at the level of consciousness, by thought and not by interests. A thinker, a philosopher in the wider sense of the term, an intellectual, can and does often rise above the narrow group into which he is born and represent the interests of a class or a group or even a nation other than his own. This is in particular true of times of rapid social change and of disruption of old socio-political structures and of birth of new classes and economic and political systems. Like the best and genuine intellectuals the world over and in all history, the Indian thinkers and intellectuals of the 19th century too were philosophers and not hacks of a party or a class. It is true that they were not above class or group and did in practice represent concrete class or group interests. But when they reflected the interests of a class or a group, they did so through the prism of ideology and not directly as members, or the obedient servants, of that class or group. In other words, they did all their thinking subjectively from the national point of view; only it so happened that objectively and outside the framework of their conscious beliefs their thinking coincided not only with national interest, which it did, but also with the interests of

particular groups and classes. The point is that the thinking and actions of the Indian nationalist leaders and writers have to be *concretely* studied and analysed to see what they wanted and whom they were intellectually representing. It is nothing but sheer crude mechanical materialism (also crude use of sociology) to mainly look at the class or group origins of a political leadership or practising intellectuals and then brand them as *being* this class or that. In fact the early Indian national leaders did not, and could not, constitute a class. Their response at the level of economic ideas and policies, as well as at other levels, was that of ideologues and not that of an educated group concerned with its own narrow self-interest.

The economic outlook of the Indian national leadership was basically capitalist. In nearly every aspect of economic life they championed capitalist growth in general and the interests of the industrial capitalists in particular. But if at times it seems that the Indian leaders were focusing too large a part of their attention on the interests of the industrial capitalist class, it was not because their vision was limited by the narrow interests of this class but because of their belief that industrial development along capitalist lines was the only way to regenerate the country in the economic field, or that, in other words, the interests of the industrial capitalist class objectively coincided with the chief national interest of the moment. They were pro-capitalist because they believed that this class alone could accomplish in practice what they proposed in their speeches and writings, namely, rapid industrialisation. They represented the industrial capitalist class only in the sense that their economic thinking and programme did not go beyond the limits which industrialisation along capitalist lines imposed in practice.

It should be remembered in this context that the Indian capitalist class, both commercial and industrial, of the last quarter of the 19th century was basically pro-government and did not actively support the rising nationalist movement. One has only to study the record of the long wails regarding the paucity of funds that went up at every Congress session to be

convinced of this. The leading men of commerce and industry did not pay even the proverbial pie to finance the early nationalists. Dadabhai Naoroji, A. O. Hume, and William Wedderburn spent their private fortunes to sustain work in England. The actively pro-Indian English publicist, William Digby, maintained himself by representing in England the private interests of several Indian princes. Justice Ranade, A. M. Bose, L. M. Ghose, P. M. Mehta, D. E. Wacha, Lajpat Rai, Madan Mohan Malaviya, and others lived on professional earnings. Lokamanya Tilak earned his livelihood by running a private tutorial college for law students. G. K. Gokhale worked on a low salary as a member of the Deccan Education Society. Surendranath Banerjea ran a private college. G. Subramaniya Iyer and Bipin Chandra Pal worked as journalists, the latter on a paltry salary. The typical nationalist journalist of the period was literally a dedicated person who propagated nationalist ideas on a shoestring budget and often on an empty stomach. The only large funds the National Congress collected during the period came from a handful of nationalist-minded princes and big zamindars like Maharaja of Darbhanga. The spokesmen of Bombay textile manufacturers refused to support even the early, pre-1905, swadeshi agitation. It was only after the First World War that the Indian capitalist class began to support and finance the nationalist movement and nationalist leaders and parties on a significant scale.

It may therefore be reiterated that the early nationalist movement was a movement led by nationalist intellectuals—philosophers if you will—who adopted a capitalist outlook not because of any narrow class interest but because of their belief that the capitalist development was the only path along which India could grow and prosper economically. As intellectuals they functioned within the framework of the existing, established economic theory and practice of the Western world; but within this understanding they adopted a revolutionary nationalist position whose natural corollary was the overthrow of the existing structure of imperialism in India and the ending

of the country's economic stagnation. Moreover, their thought reflected the contemporary reality better than did the thought of British Indian officials and their economic policies represented the interests of all strata of Indian society better than did the British Indian economic policies. It is also true, however, that their belief in the capitalist class as the economic saviour of India proved to be a major weakness historically as it was one of the factors which made the early Indian leaders rely on certain upper and middle strata of population for political support. This was one of the reasons why the national movement during this period lacked in depth and wide appeal and was therefore ineffective.

In time, their economic agitation led the Indian national leaders to put forward political demands as they came to realise that economic policies could best be influenced from the seats of political power. They began to look at political questions from the point of view of their effect on the growth of an independent industrial economy. Of course, the demand for political concessions also arose independently of their economic bearings. However, one of the important reasons for their demands for the reform of the administration and for a share in political power was their desire to make the administration a better instrument of economic development and welfare. As has been shown earlier, nearly every important economic question was linked, by one section or the other of the national leadership, with the politically dependent status of the country and with the question of political autonomy or at least with Indian people's right to share in political power.[21] In the end, many of the national leaders were even led to conclude that since the British Indian administration was 'only the handmaid to the task of exploitation'[22] the country would be economically

21. Interestingly enough, when R.C. Dutt pleaded for the inclusion of at least one Indian in the Viceregal Executive Council, he also suggested that the Indian member should be assigned the departments of Land Revenue, Industries, and Agriculture (in CPA, pp. 497-8).

22. *Indian People*, 27 Feb. 1903. For other references, see f.n. 79 on p. 108 above.

developed only if and when unadulterated British rule gave way to a political order in which the Indians played the dominant role.

If the national leaders of the period under study had little to show in terms of political or economic gains, it was perhaps due to their methods of political work and agitation. An important aspect of the national movement during this period was the absence, with rare exceptions, of popular agitations and movements and political struggles without which resolutions and memorials and newspaper editorials and articles could have little political effect. If in spite of a deep, and even brilliant, understanding of economic issues the Indian leaders were not successful in making much impact on government policies or in imparting a certain vigour to the national movement, it was because of the absence of mass agitation and struggles around their economic policies and demands. Their failure lay in not breaking through the twin beliefs that British rule was invincible and that the capitalist mode of production was the only one possible. It was to take them decades to acquire the self-confidence to challenge the full might of the British authority. Till then they tried to reform the British Indian administration so as to make it a better instrument of Indian economic welfare; they tried to cajole and pressurise the British rulers and not overthrow them. Moreover, they could not bridge the wide gulf between themselves and the mass of people or bring the latter into motion as active participants in the national movement. But they did have the intellect to clear men's minds. The absence of political sanctions and not want of correct economic understanding and policies was, therefore, responsible for the lack of positive achievement on their part. And it may be suggested that it was the former characteristic and not better economic understanding or policies or their advocacy which distinguishes the later phase of Indian national movement from the one covered by this study. It was during this earlier period that the main outlines of, the nationalist critique of the economic contours of British rule were fully and scientifically

worked out. The later nationalists were to rely heavily on it. They certainly propagated the 'old' economic truths and arguments on a larger scale; they put massive political force behind them; they made old truths a living political factor; but, it may be said, they made little advance over them.

The important point is that by posing the main economic issues in such a way as to highlight the clash between the economic interests of India and Britain, pointing out that the most important political and economic aspect of the Indian reality was that India was being ruled by a foreign power for the purposes of economic exploitation and that the most important and crucial aspect in which Indian economy differed from that of England or the other nations of Europe lay precisely in the fact that its economy and finances were controlled by an alien power, proposing economic solutions which the British government could hardly have accepted, and pointing out that control over political power was essential for the implementation of nationalist economic demands, they created a situation in which antagonism between the rulers and the ruled went on developing and a struggle for political power and independence became more or less inevitable. Once the main issues of dispute between the alien rulers and the nationalist movement were posed in this way, once the main contradiction of British rule in India was seen clearly, the correct working out of political tactics and strategy was only a matter of time. The actual political struggle could, and did, come later; and mistakes in the understanding of forces and tactics of struggle could always be corrected with reference to the main issues involved.

It may also be pointed out that the political activity of nearly all of the national leaders of this period was consciously designed to impart political education to the people and prepare them for *modern* political and nationalist thinking and activity. The Indian leaders fully recognised that their work was preparatory to a later period of active political struggle. For example, in a letter to D. E. Wacha dated 12 January 1905, Dadabhai Naoroji wrote:

> The very discontent and impatience it (the Congress) has evoked against itself as slow and non-progressive among the rising generation are among its best results or fruits. It is its own evolution and progress.... (the task is) to evolve the required revolution—whether it would be peaceful or violent. The character of the revolution will depend upon the wisdom or unwisdom of the British Government and action of the British people.[23]

The accomplishments of the national leaders of this period are many, provided success is not measured in terms of immediate gains. They made the people of India conscious of the bond of common economic interests and of the existence of a common enemy and thus helped to weld them in a common nationalism. They made the people conscious of their economically precarious and degraded position and of the possibility of improvement. They gave a precise nationalist form to the incoherent economic aspirations of the people and spread ideas of economic development. They inculcated among the people the desire to increase the economic wealth of the country, showed them the ways of doing so by putting forward a well-rounded programme of economic development, and pointed out the obstacles, both economic and political, that needed to be overcome if the economic objectives were to be realised. In accomplishing these tasks all the national leaders, both Moderates and Extremists, contributed alike, displaying in the process a high quality of the power of economic analysis and deep patriotism. We would not be far wrong in concluding that, in spite of their many failures, they laid strong and enduring foundations for the national movement to grow

23. Quoted in Masani, *op. cit.*, p. 441. Similarly, when, in 1891, Gokhale expressed disappointment at the two-line reply of the government to a carefully prepared memorial by the Poona Sarvajanik Sabha, Justice Ranade replied: 'You don't realise our place in the history of our country. These memorials are nominally addressed to Government, in reality they are addressed to the people, so that they may learn how to think in these matters. This work must be done for many years, without expecting any other results, because politics of this kind is altogether new in this land' (quoted in Gokhale, *Speeches*, p. 929).

upon, and deserve a high place among the makers of modern India. Perhaps no better epitaph on their work can be conceived than the following evaluation of their role by one of the best among them:

> Let us not forget that we are at a stage of the country's progress when our achievements are bound to be small, and our disappointments frequent and trying. That is the place which it has pleased Providence to assign to us in this struggle, and our responsibility is ended when we have done the work which belongs to that place. It will, no doubt, be given to our countrymen of future generations to serve India by their successes; we, of the present generation, must be content to serve her mainly by our failures. For, hard though it be, out of those failures the strength will come which in the end will accomplish great tasks.[24]

24. Gokhale, *Speeches*, p. 1113.

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